

FINANCIAL TIMES

WORLD SHIPPING

Emerging from financial straits

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Tuesday January 9 1990

D 8523A

World News

First trial in Romania ends with nine-year jail sentence

The first trial of those who fought to preserve the former Ceausescu regime ended with the accused receiving a nine-year jail sentence as a popular concern was growing that the planned series of tribunals may involve only a token number of the hated former security police.

With scepticism growing across the country over the tribunal process there are suspicions that senior Securitate officers remain at large. Page 16

Nakasone named

Former Japanese Prime Minister Yasuhiro Nakasone was named in another share purchase controversy that threatens to damage his prospects for re-election and the chances of the ruling Liberal Democratic Party at a general election next month. Page 4

E Germans protest
About 100,000 people furious at the continuing power of the East German Communist party marched through Leipzig chanting "Down with Communism" and calling for German reunification. Earlier story. Page 2

Call for PLO talks

The mayor of Tel Aviv, Shlomo Lahat, called for peace talks with the PLO, a week after Prime Minister Yitzhak Shamir nearly fired a cabinet minister for contacts with the group.

Iranians at odds
A dispute between Iran's leaders and Ayatollah Khomeini Ali Montazeri, a focus for moderate opposition, is causing serious political tension which is eroding public confidence in the Government. Page 4

Israel restores ties

Israel's fast-improving relations with Eastern Europe were welcomed further by the announcement by Ezer Weizman that the country's economic and diplomatic ties severed 22 years ago. Page 4

Burma poll objection
Rival to Burma's main opposition leader, Aung San San Sui Kyi, objected to her running in May's general election, saying that she owed "allegiance to a foreign country." Page 4

El Salvador killings
Forty-seven crack Salvadoran troops were confined to barracks under investigation for the killing of six Jesuit priests last November, following President Alfredo Cristiani's accusation of military involvement.

Disident to go free
A leading Soviet dissident, Sergei Kuznetsov, gained the promise of freedom after what his lawyer said appeared to be a high-level intervention.

Greek prices to rise
Prime Minister Konstantinos Karamanlis, whose all-party government was formed to deal with the country's economic crisis, proposed a new wave of price rises to help finance Greece's high budget deficit.

Dutch monopoly
European Commission told the Netherlands to change a recent law that gives its nationalised postal monopoly an advantage over private courier companies. Page 2

Rebuff for right
East German border guards turned away West Germany's most prominent right-wing politician, Franz Schönhuber, citing "fascist activities" as their reason for barring him entry.

Amnesty accusation
Amnesty International said it was disturbed by allegations that police torture and abuse of people in custody was widespread in Austria.

Business Summary

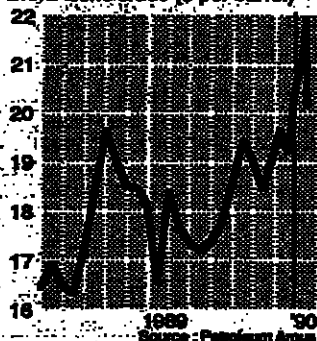
Conrad Black likely to take 20% stake in Diario 16

CANADIAN publisher Conrad Black is on the verge of his first continental Europe investment - a 20 per cent stake in Diario 16, the liberal Spanish daily.

Talks between Black, chairman of the Daily Telegraph group in the UK, and Diario, are believed to be at an advanced stage. Page 2

OIL prices
Oil prices plummeted as the markets retreated swiftly following last week's rally. When

Oil prices



North Sea Brent oil touched a four-year high. Page 26

PETER WOO, son-in-law of Sir Yip Kwoi Pan, the chief of Hong Kong's leading business group, has resigned from the chairmanship of the colony's cable television group. Page 17

DIXONS, UK electrical retailer, shipped up its bid battle against rival retailer Kingfisher by announcing interim results, a profit forecast and a 10.4 per cent rise in annual dividend. Page 17

CEA, California Pacific International, Singapore parent company of the US-based Weather Investments seeking to take over Alan Bond's brewing, media and resources empire, was reported as having been rejected last year. Page 17

WEST Germany's monthly trade surplus dropped 15 per cent in November as imports grew. Page 18

US Trade Representative Carla Hills said the US wants the International agreement by July on rules which guarantee maintaining market access as a preliminary to the completion of the Uruguay Round trade talks this year. Page 6

SOVIET Central Planning official Stanislav Dinges said conflicting problems threatened to dominate the 45th session of Comecon in Sofia. Page 6

US Hedgehopper CX Partners, partnership investment fund created by Ivan Boesky, disgraced Wall Street arbitrageur, paid \$248m in cash to 46 partners including Guinness, UK drinks group which was the largest single investor in the Boesky fund. Page 17

SOLVAY, Belgium's biggest chemicals group, plans a large rise in capital spending in 1990, underscoring the expansionary mood of the European chemicals industry. Page 18

CECIC, main Western European chemical group for the chemical sector, said Western Europe's chemicals industry would see expansion faster during 1990. Page 3

RETAIL Consortium, representing the UK retail sector, is lobbying the European Commission to support abolition of the Multi-Fibre Arrangement (MFA) regulating textile trade. Page 2

ACCOR, French hotel and restaurant chain, launched an issue of new shares with warrants worth \$30m to fund expansion. Page 21

Mandela discusses release plans with his wife

By Paul Waldmeir in Johannesburg



Winnie Mandela: optimistic

MR NELSON MANDELA, the jailed black leader, has discussed arrangements for his release with his wife, Mrs Winnie Mandela, the clearest sign yet that he will shortly be freed after 27 years in South African prisons.

"I don't think that we are talking about months any longer," Mrs Mandela said yesterday, after a three-hour visit to her husband's bungalow in the grounds of Victor Verster prison near Paarl.

Yesterday was the first time that the couple had discussed preliminary arrangements for the release, said Mrs Mandela who appeared noticeably more optimistic than after previous

visits. She smiled broadly and declared: "I am very hopeful now. This is the real stuff now."

The release of Mr Mandela, who was jailed for life in 1964 for planning the violent overthrow of the South African state, has seemed imminent on several occasions.

But Pretoria has always frustrated those willing to guess at a date for his release.

Recently, however, Mr F. W. de Klerk, the South African President, has made clear that the African National Congress (ANC) leader's release was only a matter of time.

And over the past few weeks

both Mr Mandela and the Government have appeared to be planning for his freedom.

Speculation has grown that Mr de Klerk may announce the release at or near the beginning of February, perhaps when he opens a new session of parliament in Cape Town on February 2.

Taken together with expected decisions to lift the three-year-old state of emergency and legalise political organisations such as the ANC, the release could lead to negotiations between Pretoria and black groups over political representation.

Much has already been done to prepare for Mr Mandela's freedom. The release of eight other long-term prisoners last October - among them top members of the banned ANC - was widely viewed as a trial run for the much more problematic release of the ANC leader himself.

No violent incidents attended their release and the Government's previously stated fear - that their freedom would cause chaos in black townships - proved unfounded.

His consultations in recent weeks with internal anti-apartheid leaders should contribute to an orderly release.

Eurotunnel partners confident of an agreement on financing

By Kevin Brown in London and William Dawkins in Paris

EUROTUNNEL, the Anglo-French Channel tunnel group, was last night on the verge of a crucial agreement to start catching up on staged payments to Transmanche and will put the project back on course to open in June 1993.

Senior executives from both companies spent much of the day thrashing out the final details of a complex compromise agreement on how to cut the project's escalating costs.

Officials on both sides were confident that agreement would be reached in time to be presented to a meeting of Eurotunnel's lead banks today.

The agreement is likely to be accepted by the lead banks as evidence that the two companies can control the cost of the project, which has increased from £4,000m in 1987 to more than £7bn (£11.4bn).

The lead banks will then ask the other 200 banks in the syn-

dicate which is financing Eurotunnel to reopen the consortium's lines of credit.

That would enable Eurotunnel to start catching up on staged payments to Transmanche and will put the project back on course to open in June 1993.

Neither company would comment on the talks but the basis for the agreement is understood to be a draft produced by Eurotunnel and subsequently amended by Transmanche.

The draft provides for cost savings in areas such as running speeds through the tunnel and deferment of work on the terminals at Folkestone and Calais.

In return for this concession from Eurotunnel, Transmanche was thought to be ready to accept the removal of a cap on its share of any cost overruns. However, Trans-

manche was also seeking a delay in the completion date as a cushion against potential penalties for late completion.

The reopening of Eurotunnel's lines of credit would allow the project to continue, and remove the air of crisis which has surrounded it for the past three months.

But there would still be some way to go before the project was again on a firm financial footing, because the companies have decided to go to arbitration on the specific issue of construction work worth about £300m. A full refinancing deal which would provide the extra £1.5bn Eurotunnel will need to finish the project will not be possible until that issue is settled.

Recent talks with a new irritant entered the talks as Transmanche took legal action against Eurotunnel for alleged

non-payment of FF416m (£73m).

Transmanche demanded an injunction to force Eurotunnel to pay the cash yesterday morning at a commercial court at Nanterre, just outside Paris near the head office of Dumez, project leader for the French members of Transmanche.

The court deferred judgement until the outcome of the talks in London.

"This is a contractual point. Eurotunnel must pay according to standards accepted by both sides," said a Dumez official.

A Eurotunnel statement said that the cash had been scheduled for payment early this month, but this was now linked with the talks on "resolving certain contractual problems to do with financing cost overruns."

Costs force short cuts, Page 6

Ford chief warns of world car glut

By Kevin Done in Detroit

THE "WORLD" automotive industry will be burdened by an excess production capacity of about 6.4m vehicles this year, an over-capacity of some 20 per cent, Mr Harold Poling, vice chairman and chief operating officer of Ford Motor of the US, warned yesterday.

The impact would be felt most severely in North America with about 6m units of this over-capacity directed at the North American market.

Mr Poling, who takes over as Ford's chairman and chief executive officer, the world's second largest automotive

group, on March 1, said that over-capacity of this magnitude "means we will be facing a brutally competitive environment worldwide."

In a speech to the Automotive News World Congress he attacked the rapid capacity expansion by Japanese vehicle makers in overseas markets as "an unwelcome development."

Foreign manufacturers, primarily the Japanese, had built 12 new assembly plants in North America and Europe since 1980, eight of them in the last 18 months alone, and had announced plans to build two

more.

When fully operational these plants could build some 3m vehicles a year, equal to half a million units more than the total annual production of Chrysler, one of the "big three" traditional US automotive groups.

Recent Japanese plans for expanding their production capacity in Europe could lead to a capacity problem in Western Europe similar to the US, he said.

Mr Vincent Sarni, chairman and chief executive of PPG Industries, a leading US auto-

motive component supplier, said there was the equivalent of 12 excess vehicle assembly plants in the US alone. The American consumer now had a choice of more than 600 models compared with about 400 only four years ago.

The "big ten" world vehicle makers faced "the commercial equivalent of war." Some of the combatants were faced with "capital spending needs that weigh heavily on their ability to stay on the field."

Continued on Page 16

Court case, Page 6

UN makes fresh peace bid as Cambodian conflict worsens

By George Graham in Paris and Robin Pauley in London

THE FIVE permanent members of the United Nations Security Council are to meet in Paris next Tuesday in a new attempt to find a peaceful settlement to the Cambodian conflict.

The meeting between representatives lower than foreign minister level from the US, Soviet Union, the UK, France and China has been arranged as the civil war in Cambodia intensifies.

The Phnom Penh government of Hun Sen is opposed by a coalition of three resistance groups, the most powerful of which is the Khmer Rouge, which appears to have gained ground amid fierce combats in recent weeks.

However, their claims greatly outweigh their successes. Mr John Pedlar, a former British diplomat in Cambodia, said from Phnom Penh last night that Khmer Rouge claims to have laid siege to Battambang, the country's second city, were "typical propaganda and not credible."

Phnom Penh was quiet: "plenty of scary firecracker noises but not even a broken window."

Mr Pedlar said that the Khmer Rouge propaganda was having a demoralising effect on the Cambodian people, who feared a return of Pol Pot's regime.

The most dramatic effect is on the real currency which was stable at around 175 to the dollar in July, was 262 last week and is now 275. This is causing considerable hardship to the people and is the result of anxiety about the Khmer Rouge in spite of the fact that none of their claims of military successes is substantiated. They are not capable of taking a town, never mind holding it. But they are good at making a small, noisy attack and then making huge propaganda claims.

Hope for a negotiated peace settlement in Cambodia dwindled after an international conference in Paris failed in August to reach any form of

agreement. Australia has now attempted to relaunch the talks with a proposal for a UN-controlled transitional administration, similar to the mechanisms for the transfer of Namibia from South African control.

Cambodia's UN seat, currently occupied by the coalition, would be left temporarily vacant.

Mr Hun Sen discussed the ideas with Mr Michael Costello, Australia's special envoy on Cambodia, at the weekend and some progress was made.

The US has supported the Australian position, and is understood to have taken the initiative in calling for next week's meeting. However, the Khmer Rouge have ignored the Australian initiative and China, their main backers, have responded coolly. Mr Costello is due in Paris on Thursday, and next week's talks may be extended to include more than the five permanent Security Council members.

Cambodia's second city under attack, Page 4

Arab states squirm over revolution in Eastern bloc

While Europe rejoiced at news of a new order in Romania, 20 or so influential Arabs remained stony-faced.

Why should they, and Iraqi President Saddam Hussein (left) in particular, have reason to worry? Page 15

Kenya: Family planning gospel wins too few converts

Free Zanzibar Islands of industrial efficiency ... 5

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MARKETS

STERLING	DOLLAR	EURO
New York close	New York close	New York close
\$1.5540	DM1.5676	FF1.5676
London	FF1.5688	FF1.5688
\$1.5535 (1.838)	FF1.5245	FF1.5245
DM2.7800 (2.7525)	Y144.18	Y144.18
FF1.4100 (3.4025)	London	London
SP2.6200 (2.5150)	DM1.5690 (1.6810)	DM1.5690 (1.6810)
Y238.25 (235.50)	FF1.5690 (1.7400)	FF1.5690 (1.7400)
2 index 67.2 (67.0)	SP1.5235 (1.5345)	SP1.5235 (1.5345)
GOLD	Y144.05 (143.75)	Y144.05 (143.75)
New York: Comex Feb	3 index 65.7 (67.0)	3 index 65.7 (67.0)
\$405.7	Tokyo: S&P 144.52	Tokyo: S&P 144.52
London	US TREASURY	US TREASURY
\$204.75 (408.75)	Fed Funds 3 1/4 %	Fed Funds 3 1/4 %
N SEA OIL (Argus)	3-mo Treasury Bill	3-mo Treasury Bill
Brent 15-day Feb	yield: 7.75%	yield: 7.75%
\$20.10 (-1.85)	Long Bond	Long Bond
	yield: 8.050%	yield: 8.050%

Chief price changes yesterday: 17

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This announcement appears as a matter of record only.

£37,000,000
Management Buy-out

of Nottingham Group Ltd
and acquisition of E. J. Arnold & Son Ltd
by Loregem Ltd
(a company formed by management)

3i plc and Citicorp Venture Capital Limited
acted as joint lead investors

Equity arranged and provided by

3i plc

Citicorp Capital Investors

Mezzanine underwritten by

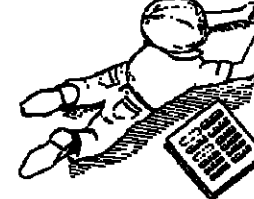
3i plc

Senior debt provided by

Royal Bank of Scotland plc

January 1990

Nottingham
GROUP



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EUROPEAN NEWS

Brussels orders change in Dutch courier mail law

By Lucy Kellaway

THE European Commission has told the Netherlands to change a recent law that gives its nationalised postal monopoly an unfair advantage over private courier companies.

The move is part of a general effort by the Commission to foster competition in the market for express mail, and comes at a time when broader proposals for deregulating the postal market are being drawn up.

The Commission's intervention falls under the controversial Article 90 of the Treaty of Rome, which gives it direct power over member states' legislation when nationalised monopolies are seen to be distorting competition.

The use of this article is being investigated by the European Court of Justice after a complaint brought last year by France, which claimed that the commission had overstepped its powers in using the article to inject competition into the

market on telecommunication equipment.

The Commission has given the Netherlands two months to amend the law, under which private courier companies have to publish their prices in advance, and comply with a schedule of minimum prices.

The PTT Post, the Dutch post office, is not required to comply with either condition. When the law came into effect at the beginning of last year, the Netherlands had a flourishing private courier market, employing more than 4,000 people, and offering services at well below the minimum price.

The commission considered the law offered a grave threat to these companies and to their employees. The hard line taken by the Commission in this case follows intervention by Brussels in France, West Germany, Belgium and Italy to stamp out anti-competitive practices by the post offices. Each country

had been found to be using different ways of protecting the market. Italy, for example, had been forcing private couriers to put post office stamps on all deliveries, even if the post office itself was not involved.

The decision comes at a time when private courier companies are growing concerned about the power of European postal monopolies, and worried that any future liberalisation of the postal services will not go far enough.

The commission is investigating whether Germany's Bundespost is abusing its market position in bulk re-mail. It has also received complaints from the International Express Carriers Association that Denmark's post office is abusing its monopoly in the express mail market.

Were the Netherlands not to comply with the Commission's request, Brussels could take the matter to the European Court of Justice.

Black set to buy 20% of Diario 16

By Peter Bruce in Madrid and Raymond Snoddy in London

MR Conrad Black, the Canadian publisher, is on the verge of his first continental European investment - a 20 per cent stake in Diario 16, the liberal Spanish daily.

Talks between Mr Black, chairman of the Daily Telegraph group in the UK, and Diario 16's publisher, are believed to be at an advanced stage.

Mr Juan Tomas de Salas, Diario 16's publisher, confirmed he was in "advanced negotiations" with a quality British newspaper but declined to confirm it was the Daily Telegraph.

Diario 16 has been urgently seeking fresh foreign capital to help fight off growing competition in the Spanish newspaper market.

The Grupo 16, a major Spanish magazine and newspaper publisher controlled by Mr De Salas last year fought off a determined takeover bid by Mr Robert Hersant, the French publisher. But Diario 16, the group's flagship, has been hurt by the launch of a rival, El Mundo, by a former Diario 16 editor who fell out with Mr De Salas.

Salomon Brothers, the US investment bank issued a prospectus to selected UK newspaper publishers predicting that the paper's 1988 pre-tax loss (before extraordinary profits) of Pta 21m (\$190,000) would recover to pre-tax profits of Pta 1.7m by the end of 1992.

Mr Black also owns The Spectator, the UK political weekly, and last year bought the Jerusalem Post.

The Telegraph was a heavy loss maker when Mr Black won control four years ago but could make as much as £50m in pre-tax profits this year.

Mr Black's interest in Diario 16 could mark another big advance into Spain by the British newspaper industry.

The liberal British daily The Guardian has a 5 per cent stake in El Mundo, the Financial Times has bought just over one third of the country's biggest-selling business daily Expansion and Mr Rupert Murdoch's News International is reported to be buying a stake in Grupo Zeta, publisher of popular magazines and a business daily.

'Neo-fascism' raises hackles in Berlin

By Leslie Collett in East Berlin

JUDGING by the East German Communist Party and the official media, East Germany has become a hot-bed of right-wing extremism.

ADN, the East German news agency, yesterday reported another outbreak of neo-Nazi activities. Commuter trains in East Berlin and Frankfurt-on-the-Oder were smeared with swastikas and slogans calling for the expulsion of Turks and Russians and proclaiming "the Reps are coming!"

The right-wing West German Republicans (Reps) are reported to have close links with like-minded East Germans.

In the city of Bautzen, walls were daubed with "Hang all the Reds" and "Join the Reps" as well as swastikas.

In a spectacular action late last month, the Soviet war memorial in East Berlin was smeared with slogans calling for the "occupiers" to be expelled. Moscow expressed its

dismay and the new East German leader, Mr Gregor Gysi, who is Jewish, apologised and warned against both home-grown and imported right-wing extremism before a rally of 250,000 people uniting "against neo-fascist activities".

But on New Year's eve a Soviet war memorial in Gera was desecrated and anti-Soviet slogans scrawled in a housing area for Soviet citizens. The perpetrators were a group of youths who had no record of right-wing sympathies.

Party officials, however, have blamed the upsurge in radicalism on East Germany's fledgling opposition, which has refused to allow an Office for the Protection of the Constitution to assume some functions of the hated state security

force. "Popularly known as Stasi - which officially being dissolved. The party claim this has created a security vacuum which is being filled by the radical rightists.

For the opposition's part, Mr Markus Meckel, deputy chairman of the East German Social Democrats (SDP) said a "certain danger" existed from the right, but that it was no greater than in West Germany.

"Young people who wanted to protest in the past did so by neo-Nazi actions," he noted. East German criminal police reports spoke of only 1,148 "neo-fascists" in the country (population 16m) early last year, of whom 60 per cent had a criminal record.

Most of them were between 17 and 35 years old and were skilled workers, apprentices or pupils.

But Mr Meckel said the Communist Party was using the latest incidents to press for a new security agency.

Prof Kurt Masur, the conductor of Leipzig's Gewandhaus Orchestra and a party member who helped avert a clash between demonstrators and

the security forces last October, said there was a "great danger" of over-estimating right-wing radicalism in the country.

The East German Christian Democrats, who are allied with the Government, even suggested in a newspaper commentary last weekend that the Communist Party would "invent fascist and neo-Nazi spectres if they did not exist".

But Mr Gysi rejected the charges. Speaking to party officials, he said it was "disgraceful" and "monstrous" that some opposition groups had suggested that the party was using the issue in the campaign for the elections next May 6.

Many East Germans believe the anti-fascist campaign is being greatly overdone by the party and may indeed be hurting whatever credibility it may have regained in the process of renewing itself.

E German elections spark debate in Bonn

By David Marsh in Bonn

LEADING West German politicians yesterday hit out at a planned East Berlin ban on external financing of the East German election campaign, claiming this would add to the disadvantages faced by opposition groups in the East.

Mr Otto Lambsdorff, chairman of the liberal Free Democrats (FDP), junior partner in the centre-right Bonn coalition, raised the temperature by calling on Chancellor Helmut Kohl to shelve plans for a new East-West German summit over the

next few months.

Yesterday's flurry of West German indignation provides a foretaste of the bickering likely on both sides of the Elbe this year as the countdown starts for separate general elections in the two German states.

All the main West German parties believe a bar on funding of East German opposition groups from the Federal Republic would give an unfair advantage to the Communist Socialist Unity Party (SED). If East Berlin opened the

door to aid from the West, the non-Communist parties would also run into criticism that they were being aided to topple the SED by West German financial largesse.

Mr Volker Rühe, the general secretary of Bonn's ruling Christian Democrats, said yesterday that the East German electoral plans would, if enacted, "threaten" 40 years of political inequality in the East.

Leslie Collett adds from Berlin: The East German Government and the opposition

narrowly averted a collapse of their round-table talks over the heated issue of the dismantling of the Stasi security police.

Six opposition groups at yesterday's talks demanded that Mr Modrow personally guarantee that the Stasi weapons had been impounded. But Mr Modrow was away in Bulgaria.

A threatened walkout by the opposition was averted only when the government agreed that its report on the dismantling of the security services was inadequate.

Lira firms against most EMS currencies after realignment

By John Wyles in Rome

THE Italian lira yesterday comfortably passed its first examination in the foreign exchange markets after its weekend realignment and the acceptance of tighter discipline within the European Monetary System.

Bank of Italy officials were contented, but not surprised, that the lira strengthened against most other EMS currencies from its Friday closing rates. The market usually reacts cautiously after a realignment - which in this case involved only the Italian currency, with a 3.8 per cent devaluation.

At the Milan fixing, the lira was quoted at 748.10 against the D-Mark compared to its new central rate of 748.21 and Friday close of 750.65. No central bank intervention was needed in what one official said was "an orderly market".

As reflected by the newspaper, popular reaction has been one of self-congratulation that

the national economy has made enough progress over the past 10 years to allow the lira to join all but the peseta among currencies in the exchange rate arrangement within the narrower 2.25 per cent margin of fluctuation, after a decade at the looser 6 per cent margin.

In reality, the currency has been managed within a 3 per cent margin for 90 per cent of the time, according to the central bank, and progress needs to be made in correcting two fundamental weaknesses - inflation and the budget deficit - for the authorities to be confident of living comfortably within the narrower band.

As Mr Stefano Micossi, chief economist at Confindustria, pointed out yesterday, the inflation differential between Italy and France and Germany remains too high for comfort. Average Italian inflation last year was 6.6 per cent and few independent economists

believe the Government's target this year of 4.5 per cent is credible.

The 3.8 per cent realignment of the lira was sought by the authorities largely to offset the accumulated inflation differential in relation to the D-Mark over the past three years. Italy did not seek a wider realignment involving other currencies and would, say officials, have opposed the idea if Bonn had formally proposed it.

Italian officials are much less certain than several private economists that there will be a general EMS realignment in the spring.

The lira's new central rates against other EC currencies announced yesterday are: D-Mark, L748.21; Dutch florin, L664.053; Belgian franc, L36.2764; French franc, L233.091; Irish pound, L2,004.43; Danish crown, L198.154; Spanish peseta, L11.5111; Ecu, L1,528.70. Editorial comment, Page 16

Denman attacks UK 'disdain' for EC

By Tim Dickson in Brussels

SIR Roy Denman, a former senior British civil servant and recently retired European Community ambassador in Washington, yesterday attacked what he called London's "insular disdain" for the EC bureaucracy.

In an interview about Britain's "time-warped" mentality towards the EC, Sir Roy said "home" civil servants seconded to the European Commission are too often treated with suspicion on their return to London, while those who stay behind are given too little

domestic backing in their struggle to move up the Brussels hierarchy.

Sir Roy's comments come at a time of growing anxiety about Britain's apparent failure to win its fair share of influential posts in the Commission, and hence shape Community thinking.

The main interest of this highly nationalistic struggle is who will take over from Mr Ferdinand Braun, the outgoing director general of the Brussels department responsible for internal market affairs.

Britain's candidate is Mr John Mogg, under secretary at the Department of Trade and Industry, but the strong favourite is Mr Riccardo Perlich, the Italian who now is deputy director general.

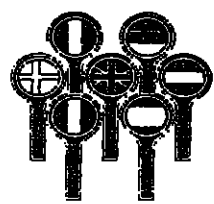
Sir Roy said yesterday Mr Mogg was not the ideal candidate and his nomination was part of a deeper malaise - which he observed from Washington for the last seven years - of some people in Britain thinking that the Commission "is a bit like a Latin American comic opera".

FINANCIAL TIMES

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CAR OF THE YEAR 1990

CAR FEATURED: TOP OF THE RANGE 3 LITRE V6 SEI £23,000. PRICES START FROM £13,700 FOR THE 2 LITRE. PRICES CORRECT AT TIME OF GOING TO PRESS AND INCLUDE CAR TAX AND VAT DELIVERY AND NUMBER PLATES EXTRA. ALL MODELS RUN ON UNLEADED PETROL. ALL V6 MODELS ARE FITTED WITH A CATALYTIC CONVERTOR. FOR MORE

EUROPEAN NEWS

Bulgarian anti-Turk strikes suspended

BULGARIAN nationalists called off strikes and protests against religious freedom for the Muslim minority yesterday, to await the outcome of talks on the country's ethnic problems, Renter reports from Sofia.

A Social Council, set up by the National Assembly on Sunday, held its first meeting after a week of demonstrations against the new Communist leadership's restoration of religious and cultural rights to Bulgaria's 1.5m Muslim Turks.

Mr Andrei Lukanov, a Politburo member and leading reformer, represented the Government at the talks with opposition leaders and representatives of Bulgarian nationalists and ethnic Turks.

Mr Petar Beron of the environmental opposition group Eco-Glasnost said the hour-long meeting set guidelines for another session planned for tomorrow. "I think they will be able to resolve the issue," he said. He gave no details.

Thousands of Bulgarian nationalists gathered in Sofia on Sunday to repeat demands for a referendum on the rights of ethnic Turks.

Organisers of the protest, which began in the south-eastern town of Kurdzhali, agreed to stop demonstrations while the talks were under way.

The opposition, which admits to losing grass-roots support because of its backing for the Turkish cause, has accused hardline Communists of encouraging the protest to sabotage the democratic process which began with the sacking of hardline leader Mr Todor Zhivkov in November.

"The anti-reformists are trying to fight their last battle over the ethnic issue," Mr Zhecho Zhelev, president of the opposition Union of Democratic Forces, said yesterday. In a forced assimilation drive under Mr Zhivkov's regime, ethnic Turks and 200,000 Bulgarian Muslims were forced to assume Bulgarian names and banned from practising their religion.

The new party leadership under Mr Petar Mladenov reversed the policy it knew had tarnished Bulgaria's image in the West.

Economists recapture Finance Ministry from Elena

Romania's economy was strangled by repayments, xenophobia and statistics, reports Judy Dempsey

OF THE many institutes which will benefit from the dismantling of the Ceausescu regime, the one likely to thrive most will be the Ministry of Finance.

Under the old regime, it had no opportunity to speak out. The minister was a pawn manipulated on a chessboard by the Ceausescus.

In particular, the former dictator's wife, Elena Ceausescu, ran the ministry. Not only that, she was directly responsible for overseeing the repayment of the country's foreign debt. It was the bottleneck speed with which the \$10bn (56bn) foreign debt was repaid well ahead of schedule, while the population was deprived of basic needs, that contributed to last month's uprising.

Unwittingly, in the pursuit of complete independence from Western financial institutions and advice from the International Monetary Fund, the executed Mrs Ceausescu had planted the seeds of the revolution which just two weeks ago, toppled her family.

The economic and social costs of repaying the debt were well known to the research department of the finance ministry. In 1987, a group of them had put together a comprehensive analysis on this very subject. Drawing on official data (which could not be relied upon) and statistics from the World Bank and other European banks from 1971 to 1986, this group of economists concluded that the Romanian economy did not have the means to repay the debt.

They showed that in the race

to repay, capital investment had been neglected. "There was practically zero input in this area after 1980," explains Mr Luigi Toma, a young economist who now works closely with the National Salvation Front, the de facto Government since the revolution.

Among other things, the report advocated an injection of capital investment to make the economy more competitive and to modernise the ageing infrastructure. All of this would have required foreign borrowing.

Such thoughts however were heretical to a leadership bent on cutting itself off from any outside influences. The report was never presented and remained shelved while life went on as before.

That life was more than Kafkaesque. Any queries from the International Monetary Fund or the Paris Club could not be dealt with directly by the foreign exchange department of the finance ministry. Instead, the economists in that department had to deal with Mrs Ceausescu's advisers.

"We could never make contact with these people," explains one economist, still shy of giving his name. "Sometimes, the IMF wanted an answer on the same day. But we never saw these advisers in order to have the permission to give the answer. These people were anonymous. All we received were instructions from above. We had no power. None of us dared speak out."

Elsewhere in the other economic institutes in Bucharest, the atmosphere was just as

strained. Articles commissioned by Mr Constantine Olteanu, the respected editor-in-chief of *Rivista Economica* weekly, were strictly censored. When I last interviewed him in November 1987, he was flanked by an official interpreter, one person who took notes, another who listened, and the magazine's own interpreter. The pressure was such that Mr Olteanu finally defected to the West.

It was the same in other research institutes set up under Mrs Ceausescu. But there was one haven of relatively free thinking, the Institute for World Economics.

Set up in 1967, it had been headed since 1970 by Mr Costin

Murgescu. He protected the younger generation of economists. But when he died last August, the institute was taken over by Mr Barbu Petrescu, the party boss of Bucharest and the nephew of Mrs Ceausescu. He also censored *Rivista Economica*.

And so it went on. All these institutes were deprived of the most basic information.

Any time finance ministry officials wanted any material photocopied, they had to go to a special room. There, three people monitored what was being copied. Needless to say, there were no fax machines at their immediate disposal. Everything was centralised. The Securitate, who hardly

knew how to add, accompanied these economists to IMF meetings or to the Paris Club.

And when the regime became obsessive about the "infiltration" of foreign ideas or any criticism of the country, "the gerontocrats and the stalwarts of the Ministry actually campaigned to stop the subscription to the *Financial Times* for 1989", commented an economist.

What is remarkable about all this is that in a country practically paralysed by a brain drain and a policy of "de-Europeanisation", indeed a conscious policy of "de-development" pursued by the Ceausescus, the new interim Government has the energy

and intellect to embark on a radical economic programme.

This is a programme which cannot be categorised by any Western/liberal models. It is a programme born from the damage and experiences of the past 40 years. Although it is still on the drawing board, economists such as Mr Mihail Draganesco, who is now one of the main brains in the Ministry for National Economy, has embarked on a plan which will give priority to meeting the basic needs of the people.

As part of the plan, a new pricing system will have to be introduced to stimulate agricultural production. Some economists, including Mr Toma, argue that, as in West Germany and the UK, farmers will have to be heavily subsidised in the future. This sector of the economy was neglected for four decades.

The pricing system, in fact, is almost entirely undeveloped. "We do not know the real value of the lei [the Romanian unit of currency]," says Mr Toma. "No equilibrium exists between monetary and material flows."

Moreover, there are almost no economic statistics. "They were rigged. The strategy of 'development' was made on false statistics," says Mr Toma. "We now need social scientists to help us analyse the hard data. All the economic units and the enterprises and the institutes must make an assessment of the real state of the economy. Without the availability of real social and economic facts, we cannot develop an economic strategy."

European chemicals growth set to falter

By Peter Marsh in London

WESTERN Europe's chemicals industry, after several years of strong growth, will see expansion falter during 1990, according to new projections which underline the possibility of a general economic slowdown in manufacturing across the region.

The business, with total production in Western Europe last year of about \$350bn (£200bn), is among the continent's biggest manufacturing businesses and employs 2m people.

The world's top four chemicals groups - Hoechst, Bayer and BASF of West Germany and Britain's Imperial Chemical Industries - are all European-owned.

Since most of the industry's output is used by other branches of production sectors rather than by consumers directly, chemicals acts as an indicator of the fortunes of manufacturing generally.

Forecasts from Brussels-based Cefic, the main Western European trade association for the chemicals sector, say output in 1990 will be 2.5 per cent higher than last year. That compares with rises in production of 3.6 per cent in 1989 and 6.7 per cent in 1988.

The recent capital investment growth in the industry is also starting to show signs of petering out, according to the projections.

Cefic, which covers all the EC countries except Greece, as well as Austria and Scandinavia, says investment across Western Europe will be 2 per cent above the industry's record capital spending last year of \$23bn.

Industry representatives are generally happy with the short-term outlook. "We are not disappointed; we are seeing a stabilisation in the industry, but at a high level," said Cefic. "It is a soft landing for the industry."

The Cefic forecasts go no further than the end of this year. Later in the 1990s, chemicals managers foresee a further reduction in growth rates, though many believe the possible opening of new markets in Eastern Europe will provide a useful fillip for the sector.



Deprived of basic needs: Poor Romanians queuing outside a church in downtown Bucharest yesterday waiting for free food from the priest

Athens to press Albania over Greek minority

By Kerin Hope in Athens

GREECE plans to step up pressure on Albania to improve human rights for the ethnic Greek minority living in the south of the country, following reports that a villager died after being arrested for trying to escape to Greece.

With Albania now the last hard-line communist stronghold in Eastern Europe, Greek officials believe the time has come to push for more liberal treatment of the 250,000-strong minority living in north Epirus, adjoining Greece's north-western border.

"This is an issue that will matter more and more as time passes. We can't ignore what's happening in north Epirus," says the Greek foreign minister, Mr Antonis Samaras, who has called for religious freedom for the Greeks in officially atheist Albania.

There have been reports of arrests in three southern Albanian towns in the past two weeks, at Tirana University and in the northern town of Skodra, in protests apparently triggered by the overthrow of the Ceausescu regime in

Romania. Although tuning in to foreign radio and television stations is banned, many Albanians have watched events in Eastern Europe on Greek or Yugoslav television.

"You couldn't say there were demonstrations. We heard of small groups of people publicly showing dissatisfaction, who were quickly picked up by the secret police," said Mr Memlaci Tselios, head of the US-based North Epirus Action Group.

In the village of Pepeli, one of four brothers from the Pras-

os family who were arrested on the border last October died after being dragged through the village behind a tractor, he said.

The Albanian embassy in Athens denied the incident and last week released a videotape purporting to show the brothers celebrating New Year at home.

The Albanian leader, Mr Ramiz Alia, has promised economic improvements but said last week that the country's commitment to self-reliance will not change.

Suzuki in Hungarian deal

JAPANESE car-maker Suzuki is to assemble cars in Hungary under an agreement with Hungarian bus-maker Ikarus, the Hungarian news agency MTI said yesterday. Renter reports from Budapest.

Details of the deal are to be revealed at a news conference today, the agency reported. Ikarus officials were not available for comment.

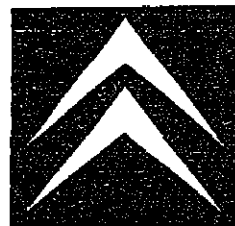
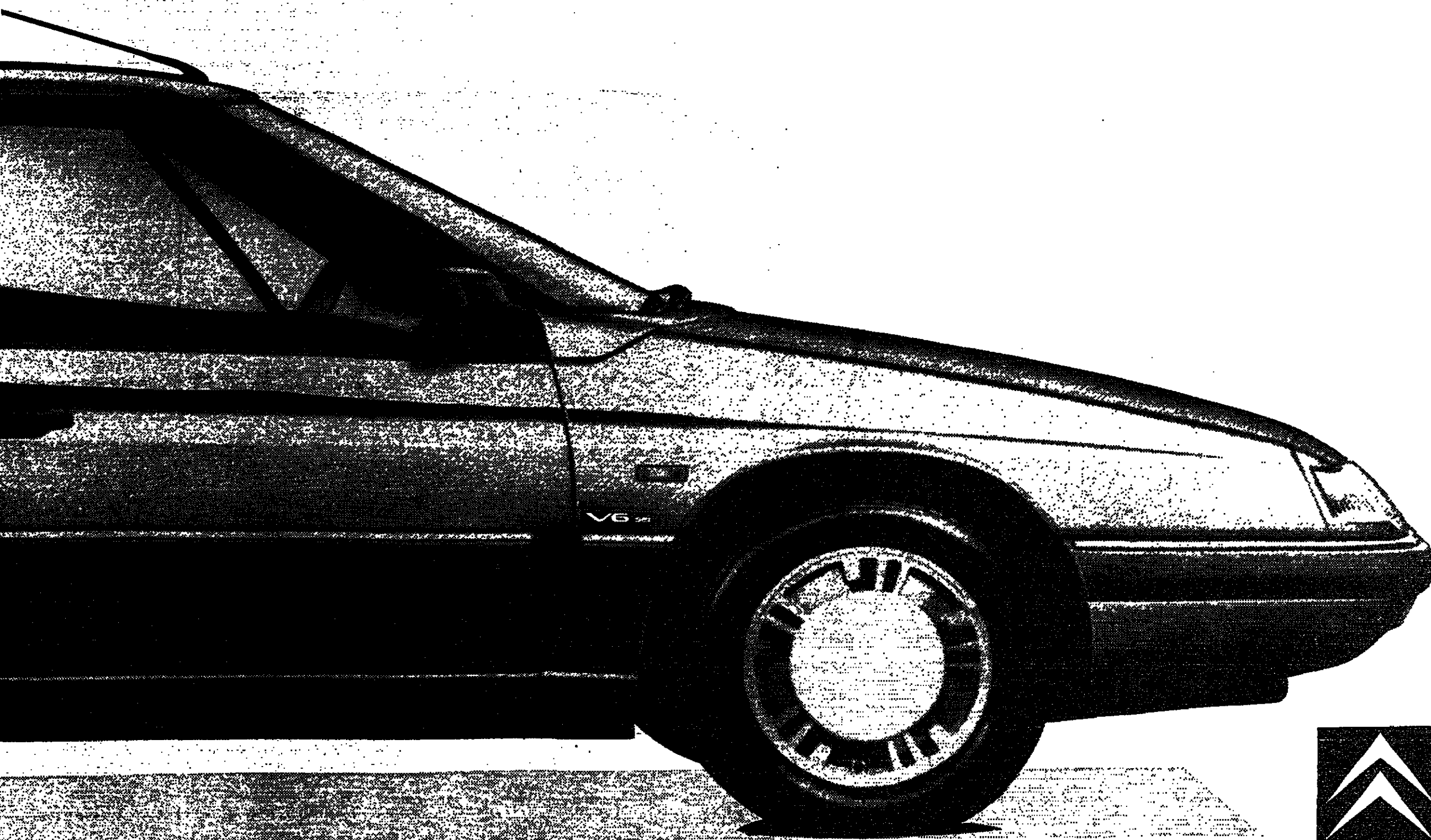
But MTI's Ecomews service said the agreement was to assemble 50,000 Suzuki Swift models annually at a plant "apparently" to be built at the ancient Danube-side city of Esztergom, north of Budapest.

The plant would cost 9.5bn forints (\$92m) of which 5.1bn would come from Japanese bank credits, the news agency said, quoting "quasi-official" Hungarian sources.

Production is expected to start in 1992 at 15,000 cars annually, with full capacity to be reached in 1994. Half the components will eventually be made in Hungary and 40 per cent of the production will go to Western Europe, MTI said.

Hungary, which has a population of 10.6m, has no car-maker of its own. There is a waiting list of 400,000 customers for cars.

CAR OF THE YEAR, 1990.



OVERSEAS NEWS

Cambodia's second city under Khmer Rouge attack

By Robin Pauley, Asia Editor

KHMER ROUGE guerrillas appear to be making small but important gains in the Cambodian civil war now that the dry-season offensive by the opposition is well under way. They are said to have attacked Battambang, a strategic provincial capital and Cambodia's second city, inflicting a major psychological blow on the Phnom Penh government of Mr Hun Sen. However, reports remain confused, based on second-hand reports and rumour.

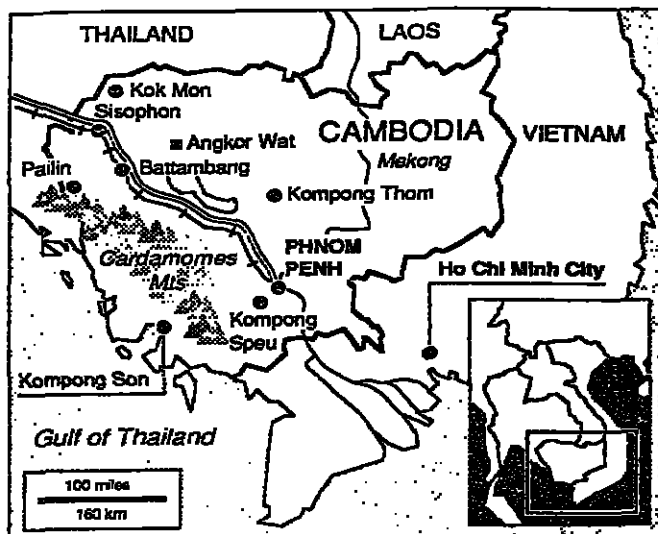
Khmer Rouge Radio claimed that Battambang, 230km north-west of Phnom Penh, was being taken by Khmer Rouge troops were fighting within the city itself. Another report said the Khmer Rouge had laid siege to Battambang, a city of 60,000 people, but this is thought unlikely by Western military analysts.

One of the difficulties is that both the Cambodian Army and the three resistance groups, of which the Khmer Rouge is the most powerful, are very poor military performers. None is particularly good at taking and holding major objectives. The Khmer Rouge has never yet managed to take and hold a town, with the exception of Pailin, near the Thai border, which was deserted apart from some soldiers and armoury when the Khmer Rouge overran it in October, apparently with Pol Pot, their brutal leader, at the head of his forces.

It is not clear who presently controls Pailin.

However, General Tie Banh, the Cambodian Defence Minister, admitted on Sunday night that his troops had lost some ground to rebel forces.

The Khmer Rouge strategy since September, when the Vietnamese withdrew their occupation army, appears to have been a classical Maoist guerrilla campaign to unnerve and destabilise the Phnom Penh regime by making sudden strikes in key areas and



then withdrawing to its jungle strongholds near the Thai border, only to pop up quickly somewhere else.

The Khmer Rouge is good at exploiting its forces' knowledge of the terrain, including the jungle areas close to Thailand and the Cardamom mountain range. Small guerrilla units are able to launch hit-and-run strikes all over the country; sometimes close to Phnom Penh and the key southern port of Kompong Som, other times far from the capital at places like Battambang, Svay Chek and Angkor Wat, the site of the country's most important Buddhist temples.

The Khmer Rouge is also good at cutting road and rail links, but not permanently. It said at the weekend, the 11th anniversary of the Vietnamese invasion which toppled Pol Pot's regime, that two bridges on the strategic rail and road link between Battambang and Phnom Penh had been destroyed.

Although the war is costing countless more lives, both sides are fighting for leverage

in the next round of diplomatic negotiations as the international community takes a renewed interest.

The Australian Government's special envoy on Cambodia, Mr Michael Costello, apparently met Mr Hun Sen in Cambodia on Sunday to discuss an Australian proposal to replace the embattled Cambodian government with a United Nations interim administration.

The official Cambodian news agency said both sides agreed to the idea of involving the UN in an interim administration pending free elections, with Cambodia's seat in New York to be vacated "at an appropriate time".

Both that agreed detailed negotiations were needed on the exact form of the UN involvement. Australia's proposal, which is gaining widespread international support, calls for a team of some 200 UN administrators to govern Cambodia as "trustees" pending elections. They would be backed by a UN peacekeeping force of some 7,000 men.

Nakasone threatened by new share scandal

By Robert Thomson in Tokyo

MR Yasuhiro Nakasone, the former Japanese Prime Minister, has been named in another share purchase controversy that threatens to damage his prospects for re-election and the chances of the ruling Liberal Democratic Party at a general election next month.

An official of a Nakasone support group, the Sanno Economic Research Institute, has confirmed that an aide to the former prime minister made profits, after tax, of about ¥118.8m (\$503,000) in buying and selling 100,000 shares from a stock speculator over a month in 1987.

But the official insists that the aide, Eiko Ota, responsible for Mr Nakasone's fund raising, had conducted a "personal deal and the profits were not a political donation", but were used to build a religious complex, controversy, which many market dealers say had undermined confidence in the yen, comes at an embarrassing time for the LDP and Mr Nakasone, who has already begun campaign for re-election to parliament and is attempting to rehabilitate a reputation severely damaged by the Recruit stock scandal.

LDP officials fear that further, more damaging information will surface about the stock deal, as it is unclear where Ms Ota got the money to buy the stocks and, despite the claim that the proceeds went to the religious complex, all of the funds have not yet been publicly accounted for.

The same aide was among three Nakasone staff to have received 29,000 unlisted cut-price Recruit Cosmos shares, which were later sold at a hefty profit, while Mr Nakasone has testified that he received a total of ¥112m from the Recruit company. His former chief cabinet secretary has been indicted over the scandal, which contributed to the LDP debacle at an Upper House election last July.

Officially, still influential Mr Nakasone is running as an independent candidate in the election, but has indicated that he will formally resume duties as an LDP faction leader if he

is returned as MP. In a speech shown on Japanese television last night, Mr Nakasone said that "there have been some reports of allegations, but I have no connection". It is the sixth time that Mr Nakasone, prime minister from 1982 until 1987, has been named in a financial controversy in the past 20 years, but he has maintained his innocence and has never been



Nakasone election worry

charged with an offence. LDP officials fear that the Asahi Shimbun, the newspaper which revealed the latest story and which is keen to nail Mr Nakasone, has further information about the case and will publish more stories as next month's election nears, in an attempt to heighten the embarrassment.

The Asahi, which takes a soft left political line, published the first story on New Year's Day in a symbolic warning to Mr Nakasone, a right-winger, that he will have a difficult year, Asahi reporters say they are pursuing several stories about Mr Nakasone, who has received far more sympathetic coverage in recent days in another Japanese newspaper, the Yomiuri Shimbun. Since New Year's Day, the Yomiuri has prominently displayed a series of stories on the "Kissinger-Nakasone Dialogue", informal talks last month in Honolulu between the former Prime Minister and Mr Henry Kissinger, the former US Secretary of State. The series, in which the two men

expound broadly on topics such as communism, the Korean Peninsula and the future of world trade, is an important part of Mr Nakasone's political rehabilitation programme.

But the Yomiuri has now been forced to recognise that the Nakasone name is again linked to a suspect stock deal. It yesterday quoted Mr Kazuo Kamiya, a spokesman for the Sanno Economic Research Institute, as saying that Ms Ota purchased 100,000 shares of Kokusai Kogyo, an aerial survey company, at ¥5,100 per share on August 22, 1987, from a stock speculator, Mr Mitsuhiro Kotani. Mr Kamiya said that Mr Kotani then bought back the shares at ¥6,300 a month later, and Ms Ota made a profit of ¥116.5m on the deal after paying the securities transaction tax. He did not explain how the Nakasone aide raised the ¥510m to buy the shares other than to say that she got a personal loan using the Kokusai Kogyo stock as collateral, and he insisted that the proceeds did not go to Mr Nakasone.

Tunisia builds on hidden industrialisation

Francis Ghilès reports on clandestine growth achieved by Third World entrepreneurs

A TUNISIAN entrepreneur has succeeded where the World Bank has failed in persuading his country's authorities to lift price restrictions in the building industry - and in the process has further exposed a peculiarly Third World phenomenon.

Mr Moncef Bouchrara, a Tunisian engineer, terms it the "hidden industrialisation and clandestine innovation" or economic development which eludes the official statisticians.

It was three years ago that Mr Moktar Zarrouk, who owns five brick factories in Kalaa Sghira, due south of Sousse, the coastal town which is the heartland of Tunisia's tourist industry, persuaded the Government to give up fixing the price of construction materials. The Bank had tried unsuccessfully for the previous 10 years.

The benefits have proved to be enormous, but until recently they have been unrecorded. The construction industry is one of those sectors of the Tunisian economy which hardly appears in official statistics. However, in 1988 an unpublished joint study by the Ministry of Housing and World Bank disclosed that 63,000 housing units were built every

year in Tunisia, around twice previous estimates. This represents 10 units per 1,000 inhabitants per year. Mr Bouchrara points out that this is one of the highest housing construction rates in the Third World and a prime example of the "hidden industrialisation" he has tracked for years.

The story goes back to 1985, House building had slumped. The sharp decline in the value of crude oil exports and tourist receipts resulted in a severe squeeze on income.

This led Mr Zarrouk, who controls an estimated one-fifth of the brick market, to defy the state and cut the prices of the bricks he sold by about 20 per cent. He then sent his fleet of large lorries into every town and village in the country to market the bricks he produced, allowing his drivers some leeway as to the price at which they sold them.

He met fierce opposition. The move was denounced by the employers' federation, Utiqa, and by the tax authority, while two state-owned brick-making companies, Cérâmique Tunisienne and Union Céramique, nearly went bust as prices fell. But a year later, the authorities capitulated. Since October 1988, the price of con-

struction materials in Tunisia has been market determined. Mr Zarrouk, who is illiterate, built his first, modest factory in the late 1960s. The then head of state, Mr Habib Bourguiba, had just reversed the policy of full-blooded socialism which the country's economic overlord, Mr Ahmed Ben Salah, had pursued for the best part of a decade.

Two or three years of bountiful crops had given people cash to spend - but building materials were very difficult to come by. Ten years later Mr Zarrouk was running a string of factories, and has since then been joined by many smaller entrepreneurs, notably in Beni-Khjar, just outside the coastal resort of Nabeul, half-an-hour south of Tunis.

Bricks and other construction materials are produced here at considerably less cost than the lowest standard offered by the SNIT (Société Nationale Immobilière de Tunisie), a state agency. The machines used are usually second hand and often altered by Tunisian workers to suit the needs of the local market. The small factories have been set up with no help from the state, unlike very modern fac-

ories whose machines are imported from France or Italy for large "private" sector entrepreneurs who have benefited from financial backing from Tunisian banks.

The huge cost of imported technology is also borne out by the virtual bankruptcy in the late 1970s of the large companies which set up factories to build prefabricated units. These factories, often partly funded by the state, were set up to supplement the role of SNIT, the main builder of housing units.

But they failed to attract building sub-contractors, even though the tender prices were rather high.

Those private businessmen who did build such units were essentially interested in "locking up" the market for their own benefit - but their prices turned out to be too expensive for the average Tunisian's pocket.

A further example of expensive and inappropriate technology is the two large plaster and plaster-board factories built between 1975 and 1980, in Mahdia and Meknes, for a total cost of almost \$m (2.75m).

They too have virtually "ceased" production, having never succeeded in selling

more than a fraction of what they produced because of high production costs. Meanwhile, a small unit called AZIM was set up, much nearer Tunis and the main market for such products, by a Tunisian who had returned to his country after 20 years as an immigrant worker in France.

His factory cost a mere dozen 400,000, his business is thriving and, unlike his larger and far more expensive competitors, he is repaying his debts on schedule. Unlike them he has paid no technology transfers - but he is trained as a qualified plasterer.

These smaller entrepreneurs, whom Mr Bouchrara describes as "grass roots or clandestine", are not confined to the building industry.

In Sfax, Tunisia's second-largest and most industrialised city, half the 22,000 workshops are unlicensed, many of these producing shoes or textiles at a fraction of the cost of their state-sponsored rivals.

The moral of this tale from Tunisia is that privately owned businesses and factories, enjoying little or no government financial support, can be cost efficient, dynamic and adept at developing appropriate technology.

Internal dissent irks Iranian leadership

By Our Foreign Staff

AYATOLLAH Ali Khamenei, the Iranian leader, yesterday sought to ease political tension in the country by ordering members of parliament and their fellow citizens to stop undermining the Government with continuous criticism.

He informed the Majlis (parliament) that he would not tolerate unjustified attacks on public institutions. Tehran Radio reported last night. The latest crisis to erode public confidence in the Islamic government is a dispute between Iran's leaders and Ayatollah Hossein Ali Montazeri, a focus for moderate opposition.

Thousands of Iranians are said to have demonstrated against Mr Montazeri at a seminar in the holy city of Qom. But bazaar merchants have been closing their shops in support of Mr Montazeri as tension spreads from Qom and his home town of Najafabad to other cities, according to an Iranian opposition group, the People's Mujahideen.

Fragmentary Iranian media reports make it clear that the 66-year-old Ayatollah Montazeri, who was forced to withdraw as successor to Ayatollah Khomeini last year, angered the Iranian leadership last week with a speech. He apparently accused the authorities of treachery for selling oil to Israel.

Mr Montazeri has often enraged his opponents by voicing regret about the violent

excesses and hypocrisy of the Islamic Revolution.

The new Montazeri affair, coming at the same time as Azeri demonstrations on the Soviet-Iranian border and an Iraqi peace plan aimed at consolidating the Gulf war ceasefire, is testing President Ali Akbar Hashemi Rafsanjani's diplomatic skills to the full.

Mr Montazeri's opponents and supporters have crossed swords before, but Mr Rafsanjani is under additional pressure because of the poor state of the economy and his inability to control damaging rivalries within the ruling clergy. As if to underline this, Mr Ali Akbar Mohtashemi, the hardline former interior Minister dropped from the cabinet by Mr Rafsanjani but subsequently elected to parliament, has defended Lebanese host-taking in an interview in the Tehran Times, contradicting Mr Rafsanjani's own policies.

Iranian officials selectively use Khomeini's sayings to support their own views and yesterday Mr Ahmad Khomeini, the Ayatollah's son, suggested in a letter to parliament that a committee be set up to interpret what the Imam meant.

The Islamic Revolution appears as harsh as ever. For the first time in living memory the Ayatollah has been beheaded (rather than hanged or shot) in Hamadan for drunkenness and buggery. They were whipped before being executed.

Unita rejects Luanda peace proposals

By Our Foreign Staff

Angola's rebel Unita movement yesterday rejected the latest government peace proposals, set out before tomorrow's summit in Luanda of eight African nations seeking a negotiated end to the 14-year conflict.

President Eduardo dos Santos, the Angolan leader, had proposed an eight-point plan which envisaged the integration of Unita with the ruling MPLA party, and the holding of elections.

Speaking over the weekend, President dos Santos made clear the MPLA did not intend to contest elections with Unita. But in a statement issued yesterday, Unita reiterated its demand for an interim coalition administration, and multi-party elections.

The statement, signed by Mr Jonas Savimbi, the Unita leader, at his headquarters at Jamba, said: "Unita disagrees totally with the so-called new peace proposals... which represent a step backwards in the search for peace." Mr Savimbi called for the signing of a ceasefire proposal presented by President Mobutu Sese Seko of Zaïre, the co-ordinator of peace initiatives which began last year.

The wide gap between the Government and the rebels seems unlikely to be bridged at the Luanda summit, and further fighting, particularly in the rebel-held areas of southern Angola, is expected.

Israel makes political gains in E Europe

By Hugh Carnegie in Jerusalem

ISRAEL'S fast improving relations with eastern Europe stepped up a gear yesterday with the announcement by Poland that it would next month restore diplomatic ties severed 23 years ago.

The announcement coincided with a visit to Israel by Mr Gyula Horn, the Hungarian Foreign Minister, and news that a Czechoslovak delegation would visit this week to discuss re-establishing ties.

In common with the Soviet Union, Poland, Hungary and Czechoslovakia broke off relations after the Six Day War in 1967 and subsequently adopted a pro-Arab position against Israel. But the new governments that have taken over in the recent wave of reform in eastern Europe have moved with a swiftness that has surprised and pleased Israel.

The one area of discomfort has been over the close ties that Israel built with the Ceausescu regime in Romania, the one Warsaw Pact government that did not sever ties.



Arens: dinner host

Arens, the Israeli Foreign Minister, Mr Horn said he could not have imagined such a visit two or three years ago. "Hungary was the first to recognise the reality of the world - to get rid of prejudices (towards Israel)", he said.

He said the decision to restore relations was "totally justified" and he gave assurances for Israel's friendship for Israel. Such words are a mantra to Israeli ears used to mark the end of years of hostility from eastern Europe. Equally, Palestinians and Arab countries have been taken aback by the rapprochement with Israel by previously solid allies.

Mr Horn said Hungary's position on the Israel-Palestine issue was similar to that of the European Community, which has clashed with Israel over its support for negotiations with the Palestine Liberation Organisation. But the subject has been carefully played down by both sides during Mr Horn's visit.

Israel officials are now confident that Czechoslovakia will quickly follow Hungary and Poland in moving towards a full restoration of relations. Although Moscow itself is holding back from such a step, ties have warmed markedly recently.

Senior foreign ministry officials are also speaking of a significant step with East Germany by the end of the year, despite the sensitive issue of Israel's demand that East Berlin acknowledge responsibility for the Holocaust and address the issue of reparations.

Mr Horn will meet Israeli businessmen today. One sour note has stemmed from a remark some months ago by Mr Yitzhak Shamir, the Polish-born Prime Minister who lost all his family in the Holocaust. Shamir drank in anti-semitism with their own milk. Questioned by a Polish journalist, Mr Shamir acknowledged the remark on Sunday but said he did not mean to condemn all Poles. "I would like to have the best relations between Israel and Poland," he said.

Burma's top dissident in election row

By Our Foreign Staff

A RIVAL to Burma's main opposition leader, Aung San Suu Kyi, has objected to her running in the general election in May, charging that she owes "allegiance to a foreign country", a spokesman for the candidate said yesterday.

The objection was made by a member of the pro-military National Unity Party, Labang Grong, who faces Ms Aung San Suu Kyi in a Rangoon constituency. The party is the successor to the Burma Socialist Programme Party, Burma's only political party between 1962 and 1988.

Labang Grong's spokesman, Myint Thein, had no further details on the candidate's objection. The Government has promised free and open polls in the hope of persuading the international community that political reform is under way, but opposition leaders continue to be undermined.

The most effective and popular, Ms Aung San Suu Kyi, has suffered the worst harassment and has been under house arrest since last July. She is general-secretary of the National League for Democracy. She is married to Mr Michael Aris, a British doctor, but her children have found it increasingly difficult to visit her.

The elections commission is to hear arguments from both sides in Rangoon today. If the objection is upheld, Ms Aung San Suu Kyi will be barred from contesting the May 27 election, the first multi-party poll in more than a quarter-century.

The election law, issued after the military brutally crushed a 1988 uprising for democracy in September 1988, has a clause that says: "Persons who are under any acknowledgement of allegiance or adherence to a foreign power, or are subjects or citizens or entitled to the rights and privileges of a subject or a citizen of a foreign power, shall not be entitled to stand for election."

An objection also has been filed by a National Unity Party candidate, against Aung Gyi, head of the Union National Party, Democracy Party, a statement from Aung Gyi's party said. The objection was on the grounds that Aung Gyi was half Chinese, the statement said.

Kenya's family planning gospel wins too few converts

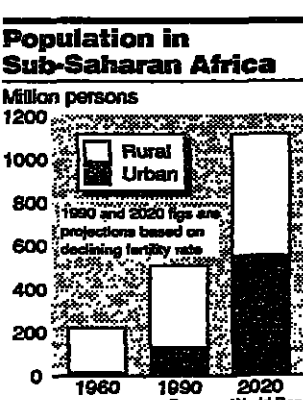
Julian Ozanne reports from the frontline of Africa's population explosion and weighs up its economic implications

IN A red earth courtyard surrounded by mud and thatched huts and a gang of curious children eating guavas, David Osinde, a community-based population worker in Kisumu, sits on a rough-hewn wooden bench and talks to two mothers about primary health care and family planning.

From a red vinyl bag he produces an assortment of contraceptives - pills, condoms, coils, injectables, foaming tablets - and to giggles of embarrassed laughter he describes what each one is, how it can be used and what, if any, are its side-effects.

Every day, David walks along the mud trails from village to village with his red bag slung over his shoulder, spreading the gospel of family planning like a latter-day missionary. He is a frontline worker in the battle to curb one of the fastest population growth rates in the world in the face of hardened traditional beliefs.

Kenya's population will almost double over the next ten years from 22m to an esti-



Population in Sub-Saharan Africa

estimated 37m. And according to a recent World Bank report, population pressures will present Africa with its greatest economic and development challenge this century. "No region of the world has ever managed to develop with so high a rate of population growth," the report says. Kisumu is the most densely populated district in Kenya. The average Kisumu woman gives birth to 8.5 children. The national average is 6.7. The

population is growing at around 4 per cent a year. Traditional attitudes to children, buttressed in some areas by the powerful influence of the Catholic Church, has prevented the acceptance of birth control.

As far as the eye can see, the whole district appears to be bursting at the seams under the sheer weight of its rapid population growth. A plethora of bell-shaped huts spreads across the hilly terrain like a carpet of mushrooms. Almost all the arable land is being cultivated, including steep slopes. Plots are becoming smaller and less economic as the holdings are divided up and bordered by hedges, making the fertile equatorial landscape resemble a cluttered chess board.

Soil erosion, declining productivity and exhaustion of fertility is becoming more marked as farmers overwork the land. In Kisumu town, the district capital, there is no more available land for urban development, prompting builders and town planners to build upwards several storeys high, a remark-

able development for a small rural African town. The pressure on school places and health clinics is immense and rural unemployment is growing, bringing with it increased social and domestic problems. Many young people who are being forced off the land, are migrating into urban centres and informal sector jobs like hawking, car repairs, masonry, carpentry, brick making and petty trading.

Although Kisumu district is Kenya's most populated district, the population explosion is nationwide. The Government believes Kenya's population growth will more than double the work force and put almost unbearable pressure on the environment, job creation, urban centres, land and food supply.

Maintaining economic growth and income to meet the burgeoning population will be Kenya's, and Africa's, greatest challenge in the 1990s. The prospects are not particularly promising. According to the World Bank, Africa's population is

growing by 3 per cent a year after a decade of falling incomes. Each year, Africa's school age population increases by 4m.

"Never in human history has population grown so fast," says the report. "If current trends continue, sub-Saharan Africa will have nearly 500m inhabitants by 1990 and more than 1bn by 2010. Africa will find it increasingly difficult to feed itself, educate its children or find jobs for new entrants to its labour force."

In Kenya, an advanced family planning programme, backed by significant political support from President Daniel arap Moi, has begun turning the tide of the explosion. A recent demographic survey found that the total fertility rate had dropped from 7.7 in 1984 to 6.7 this year. Only 27 per cent of women were currently using contraception but three quarters of women interviewed wanted either to limit family size or space their pregnancies.

That latest demand for contraception outstrips supply is partly a reflection of poor

delivery of family planning services. Traditional reliance on government clinics to which can be several miles' walk from many villages - as a distribution point has failed to draw many women in.

But rigid traditional attitudes remain the greatest obstacle. The two biggest reasons cited by women for non-use of contraception were either ignorance or opposition of their husbands. Many women in Kisumu say they tell their husbands they are going to fetch water and sneak out to clinics to get contraception. The preferred method of birth control is an injectable because it is easy to hide from the men.

In Kisumu, where the struggle of transition from a traditional to a modern way of life is most apparent, the traditional preference for large families remains deeply entrenched. Children are still seen as having a vital role in sharing the burden of work and providing security in old age. Women who do not bear many children risk being divorced or relegated when the husband takes a second wife. Having many

children is also a source of respect and recognition in many parts of Kenya. Men and women cannot hold positions of responsibility and leadership until they have had a family.

In Kisumu, women also talk about the importance of having boys because only men can inherit property and men continue the family and the clan.

"You must learn first how to rule your house before you can rule the community," said one village elder.

It is clear, though, that attitudes in Kenya are slowly changing as parents increasingly despair about how they are going to feed, clothe and educate their children. Although, not surprisingly, it is the women who are doing most of the changing. At the Family Planning Association of Kenya's Kisumu clinic, 531 tubular ligations were carried out last year but only two vasectomies. Even if there is a revolutionary change of attitude overnight, the children already born are presenting the African continent with the greatest Malthusian nightmare ever.

AMERICAN NEWS

Crowe in favour of deal over naval nuclear arms

By Lionel Barber in Washington

ADMIRAL William J. Crowe, who recently retired as chairman of the Joint Chiefs of Staff, has broken with the White House and US Navy leaders and come out in favour of a deal on naval nuclear arms with the Soviet Union.

Admiral Crowe believes the US should consider eliminating tactical nuclear weapons from surface warships and submarines or cutting US naval forces in exchange for big Soviet concessions on strategic arms.

These views, expressed in an interview with the Washington Post yesterday, will greatly influence President Mikhail Gorbachev. The Soviet leader proposed special negotiations to eliminate tactical

nuclear weapons from all US and Soviet vessels during the Malta summit but was rebuffed by President George Bush.

US objectives, centre on doubts about whether limits on Naval Nuclear Weapons (SLCMs) can be adequately verified. The US also wants to preserve its naval superiority which it argues is offset by a Soviet advantage in land-based nuclear ballistic missiles.

However, Admiral Crowe, a crusty Oklahoma native, is voicing unorthodox views. "The time to get nuclear cutbacks is now," he said. "Soviet economic problems and upheaval in Eastern Europe mean that Moscow can no longer fight a conventional war of any duration but 'the one thing they

can do today is push the nuclear button'."

During his last year as the nation's top military officer, Admiral Crowe took advantage of the thaw in superpower relations to hold unprecedented talks with Soviet military leaders. He became friends with Marshal Sergei Akhromyev, his then opposite number, and came to believe that the Soviet Union was indeed reducing defence spending.

Admiral Crowe said concern about whether to accept Soviet assurances on military spending was provoking "a huge argument in the US intelligence community." But he added, "I think we have totally underestimated the magnitude of Soviet economic problems."

El Salvador soldiers held over murders

By Tim Coome in Managua

FIVE El Salvadoran army officers have become suspects for the brutal murder of six Jesuit priests last November in the capital San Salvador.

In a TV broadcast on Sunday night, President Alfredo Cristiani announced that the results of an investigatory commission, had revealed "the involvement of elements of the armed forces in the murders". Five officers, including two colonels, one major and two lieutenants, of the Atlacatl battalion have been confined to their barracks.

A Commission of Honour is to be established to finalise the investigations according to President Cristiani.

The Atlacatl battalion is an elite unit of the Salvadoran army. Its US-trained members are the rapid reaction force of the First Infantry Brigade which is charged with the defence of the capital. During last month's offensive by the left-wing Farabundo Martí National Liberation Front they were used extensively, along with other elite units, to blunt a spectacular three-week long guerrilla assault on the northern and eastern suburbs.

The murder of the six priests, along with a cook and her daughter, occurred on the fifth day of the offensive. They were dragged from their beds in the middle of the night and shot at point-blank range with automatic rifles, a crime which shocked El Salvador.

All of the priests lectured at the Central American University. One of them, Dr. Rutilio Ellacuria, was the university's rector, and had been a frequent intermediary in negotiations between the guerrillas and the Government.

The resurgence of El Salvador's death squads was one of the factors which caused a breakdown in peace talks in October and triggered the guerrilla offensive shortly after.

The murders once again called into question the future of US military and economic aid to El Salvador.

By bringing extremist elements within the army to heel, President Cristiani may have strengthened his hand with his US backers.

TREASURY COMPENSATES FOR SHORTFALL IN BANK LENDING

US bolsters Mexican debt deal

By Stephen Fidler, Euromarkets Correspondent

THE US Treasury will issue zero-coupon bonds to Mexico at prices below market levels to support a landmark debt deal between commercial banks and the Mexican government.

The decision, the cause of some disagreement inside the Treasury, is being seen as constructive to the debt agreement reached in principle in July between Mexico and its leading bank creditors.

Mexico must buy special zero-coupon US Treasury bonds with a face value of more than \$30bn to guarantee principal repayments to banks under the package. Because they pay no interest for 30 years, they are issued at a large discount to face value.

Although the Treasury only issues zero-coupon bonds in special circumstances, US securities houses have created a market in so-called "strips" - in effect, zero-coupon US Treas-

ury bonds created from current coupon US Treasury securities.

Yields on the 30-year strips are about 1/4 percentage point lower than on current coupon paper, but the market totals only about \$70bn.

The question faced by the US Treasury was whether to charge Mexico the higher prices suggested by the market in strips or the lower prices suggested by the current coupon market.

The decision to use the current coupon as the basis for the deal appears to reflect the view that there is no subsidy involved.

Since the US does not as a rule issue zero coupons, the US government pays on its borrowings the yields prevailing in the current coupon market. Banks are expecting the Mexican bonds to be priced to yield about 1/2 point less than the

30-year current coupon bond, yesterday at about 8.09 per cent.

Sources close to the negotiations said it was doubtful that Mexico would have agreed to buy the bonds at the rate implied by the zero-coupon market, as domestic financing officials in the Treasury were arguing.

"After Panama, squeezing every last cent out of Mexico on this deal would not have been very constructive," said one banker yesterday.

Under the agreement, banks had three options: to make new loans or to swap their old loans for one of two types of 30-year bonds, one which reduced the principal outstanding the other which reduced Mexico's interest bill.

However, because the new lending by banks fell short of expectations there has been a shortfall in the resources

which collateralise the principal and some interest payments on the bonds.

The banks and Mexico are talking about resolving a remaining gap of about \$300m in the enhancements for the deal.

Bankers said yesterday that Lloyds Bank had agreed to join a \$1.2bn bridging financing to join that financing by leading bank lenders to bring forward some of the enhancements for the package. Lloyds's refusal to join that financing had been an obstacle to its completion.

However, bankers said yesterday that Canadian banks, led by Bank of Montreal, had yet to be persuaded to join.

Mr William Rhodes, the Citicorp official who heads the bank advisory committee, said yesterday: "We expect to have the documentation out within a week and signing by the end of the month."

Chile's civilians waltz around the country's former dictator

By Barbara Durr in Santiago

CHILE'S newly civilian authorities have begun a complicated dance around General Augusto Pinochet, the country's unpredictable outgoing ruler. The object seems to be to keep the music playing while the new civilian leaders dance with the chiefs of the military - except, that is, Gen Pinochet.

A sign of how much all are enjoying the fiesta will come today, when the military junta, which acts as the regime's legislature, is expected to approve a scaled-down, more moderate version of a controversial law on the armed forces.

The organic law which will regulate promotions, retirements, budget, appointments and relations with civilian political authorities, is regarded as one of the most crucial for the future of civilian-military relations.

The version expected to be approved was agreed in large part last week in a surprisingly amicable accord between representatives of the outgoing military regime and the president-elect Mr Patricio Aylwin. The accord on the law removed or modified the most objection-

able provisions of the proposed legislation, most of which aimed to boost the power of the military vis-à-vis civilians and in particular of Gen Pinochet, who will remain as commander in chief of the army.

Following last week's accord, civilian-military relations have taken an abrupt turn for the better, and in the process, it appears that Gen Pinochet is being isolated. The provision, for example, that would have created a powerful Junta of Commanders in Chief and was expected to be presided over by Gen Pinochet was eliminated.

Other commanders in chief had battled at the Pinochet formula of the law as well.

It seems clear that other armed services are not eager to prolong Gen Pinochet's dominance and are more interested in co-operating with the new civilian authorities.

At the end of last week, Mr Aylwin received visits from two of the four-man military junta and he asked them to remain in their posts as commanders in chief. Air force Gen Fernando Matthei said he would stay at least one more year, and police Gen Rodolfo

Stange said he would continue for four years, the entire next presidential period.

Both men, who were not part of the original 1973 coup team, are regarded as the more open-minded members of the junta. Of the two remaining members of the junta, Admiral Jose Merino, the commander in chief of the navy, is the only one who has not conversed directly with Mr Aylwin.

In late December, Mr Aylwin asked Gen Pinochet to leave his post as commander in chief of the army because he regarded his presence as unhelpful for the country's political stability. Gen Pinochet answered that he intended to stay precisely because by doing so he could guarantee the army's loyalty to the new government and the constitution.

Some political observers say that with the latest rebuff, the armed forces lay to his continued power. Gen Pinochet may eventually decide to make a dignified exit around the time of the transfer of power in March. But all the general's public statements indicate that he intends to stay on.

Colombians unite to condemn operations by US naval force

By Sarita Kendall in Bogota

COLOMBIA'S government and political parties have unanimously rejected US navy operations in the southern Caribbean, particularly any attempt to blockade the country's north coast and search Colombian vessels.

In spite of assurances that the US ships will not enter Colombian territorial waters, politicians are speaking of a "violation of sovereignty", "invasion" and "unacceptable intimidation".

A Conservative Party leader has asked President Virgilio Barco to recall Congress for an emergency debate.

Mr Julio Londoño, the foreign minister, who cut short his holiday because of the crisis, confirmed that Colombia refused to receive a US naval mission after the operation had been put into effect.

Mr Londoño said the government could not accept any interference with ships flying the Colombian flag whether on the high seas or within territorial limits. Nor would the government allow the installation of special equipment to track



Barco: no to foreign troops

drug trafficking planes in the Andes mountains.

Coming so soon after the invasion of Panama, the US manoeuvre has created suspicion and confusion in Colombia. Although the government has accepted weapons, training and money to help fight the drug war, President Barco and the Colombian military have always been firm in their refusal of any offer of help

US 'will need budget surpluses in mid-1990s'

By Peter Riddell, US Editor in Washington

THE US Government will have to plan for Budget surpluses in the mid-1990s under proposals due to be unveiled later this month.

At present, the surplus on the social security trust fund, likely to be more than \$70bn in fiscal 1991, counts as part of the unified budget and thus helps to meet the deficit reduction target.

Mr John Sununu, White House Chief of Staff, has said the Administration would propose (in the January 29 Budget) that the funds "ought to be preserved for the social security obligation".

The detailed proposal represents a virtue postponed since it involves isolating the social security surplus from official Federal Budget calculations only when the deficit is due to have been eliminated (fiscal 1993 under the Gramm-Rudman law). From then on the Gramm-Rudman target is balance, but removing the social security surplus means in practice, the Government would have to aim for a surplus.

US wants July deadline for Gatt market accords

By Peter Riddell, US Editor, in Washington

THE US would like to see international agreement by July on rules which guarantee maintaining market access as a preliminary to the completion of the Uruguay Round trade talks by the end of this year.

In a wide-ranging news conference, Mrs Carla Hills, US Trade Representative, stressed the need to try to agree as much as possible by mid-summer ahead of the full ministerial meeting in December.

She said there would inevitably be snags and agreeing a preliminary package would avoid going back on some issues later.

Mrs Hills highlighted the advantage of negotiating on the rules of the General Agreement on Tariffs and Trade (GATT) in advance of December since guarantees on maintaining market access were acceptable to a wide range of countries.

But she stressed the US aims of achieving substantial progress on reducing export and trade-distorting farm subsidies (an "indispensable" part of a successful round).

She also stressed the need to broaden the coverage in areas now inadequately or not covered by GATT - such as services, investment and intellectual property rights - securing an effective dispute mechanism, and building on the example of last year's steel decisions to cut state subsidies for industries such as shipbuilding.

In Orlando, Florida, yesterday,

President Bush underlined the call for international cuts in trade subsidies and asked that more market-oriented policies be built into the forthcoming Farm Bill.

Mrs Hills welcomed proposals for Moscow to have observer status at GATT so it could see how market economies considered issues.

Full membership would depend on definite moves to a more market-oriented system. She was non-committal about last week's announcement by Taiwan that it would seek GATT membership after the Uruguay Round ended. The issue had not yet been discussed by the US Administration.

Mrs Hills had no real progress to report on discussions with Japan, both on the US structural impediments initiative and trade issues associated with citing Japan under Super-301 of the 1988 Trade Act.

She argued that both countries' macroeconomic policies must be changed to cut the US trade deficit with Japan. Mrs Hills took a strongly liberalising, anti-protectionist line, arguing that world trade policies were at a cross-roads between the two key lines on the EC's broadcasting directive suggesting limits on the scale of imports of foreign-made programmes, about which the US protested last year.

She noted US unhappiness with the directive, but wanted to see how it was implemented, and how constructively.

UK retail group to lobby Brussels on scrapping MFA

By Alice Rawsthorn

THE Retail Consortium, which represents the UK retail sector, is lobbying the European Commission to support abolition of the Multi-Fibre Arrangement (MFA), the bilateral trading agreement regulating world textile trade.

The consortium, which has already lobbied the UK Government, will present its case to the Commission this morning. It will argue that the MFA should be phased out over the next 5-10 years. The MFA

imposes quotas to regulate import growth in textiles from one country to another. The consortium suggests the quotas should be gradually increased over 5-10 years, eventually being abolished.

When the MFA was introduced in 1974, it was seen as temporary, to let the Western textile industry adjust to the changed economic climate. It has been renewed three times. The fourth arrangement expires next year.

Du Pont plans \$1bn Asia-Pacific expansion

By Alan Friedman in New York

DU PONT, the largest US chemicals company, said yesterday it plans to invest \$1bn to build up its nylon manufacturing capacity in the Asia-Pacific region.

The investments, for plants to produce nylon intermediates and for downstream facilities, will be spread over the next decade.

Mr Edgar Woolard Jr, chairman of Du Pont, said yesterday that the investment strategy is aimed at positioning Du Pont as a major nylon supplier in Asia in the 1990s and to strengthen its leadership internationally into the next century. Du Pont currently claims 25 per cent of the world market share in nylon.

The investment programme will start with a \$300m plant in Singapore to manufacture adipic acid, an intermediate used in the manufacture of nylon.

Mr Woolard said the Singapore plant - to have capacity of more than 200m lbs annually beginning in 1993 - would "anchor" the company's position in a region where nylon consumption is growing at twice the world average.

The plant will increase Du Pont's worldwide adipic acid capacity to more than 1.5bn lbs.

Apart from intermediate plants, Du Pont will also invest in expanding its nylon polymer capacity in the region. In particular, polymer plants will begin producing in 1993 in South Korea, Japan and Singapore. These plants are designed to supply Asian companies in the automotive, electronics, appliance and electrical sectors.

The final part of Du Pont's Asian strategy in nylon will be a "world-scale" plant for producing nylon intermediates such as adiponitrile and hexamethylenediamine.

Nylon fibres accounted for roughly 10 per cent of Du Pont's total 1988 sales of \$32.9bn. The group's total turnover is expected to rise to about \$35bn this year.

Ericsson, the Swedish telecommunications group, has won an order from India worth an estimated \$1.2bn (\$22m) to provide AXE international exchange systems for the country's four biggest cities.

Problems threaten to dominate Comecon session

By Christopher Bobinski in Warsaw

CONFLICTING problems threaten to dominate the 45th session of Comecon in Sofia, scheduled to open today, according to Mr Stanislaw Dlugosz, a senior official at Poland's Central Planning Office and a regular attendee of such gatherings.

"It's difficult to predict what the various members will say about the future of the organisation," he added.

In addition, Comecon's Third World members who have traditionally received aid from the East European countries can

expect few sympathetic listeners.

The Poles who have yet to sign this year's trade protocol with Moscow and cannot do without Soviet oil and gas deliveries are wary, for example, of a demand that prices be fixed at world levels and calculated in hard currency.

They admit the force of the Soviet argument over this dependency and how it should be paid for in future, but want the burden of the switch to hard currency, which could cost Poland over \$1bn a year.

These include a co-operation

to be spread equally and brought in gradually.

Comecon will obviously have to be reformed or changed into a new organisation, but meanwhile, the Poles want to ensure the grouping will not block access to external markets and will remove trade barriers within Eastern Europe itself.

Talks on the actual agenda had been left to last night after the delegations were due to arrive, and agreements prepared for signature could well fall by the wayside.

These include a co-operation

Islands of industrial efficiency

Free zones are increasingly at odds with their host countries reports Canute James

In the late afternoon when the gates to the Kingston Free Zone are opened, thousands of workers, mainly women, stream out, heading for home. The scene is repeated across the Caribbean and in some Central American states. In the Dominican Republic, Costa Rica, Honduras and El Salvador, free trade zones are proliferating. Other countries, such as Trinidad and Tobago, are planning similar facilities.

"In the decade to 1989 the number of free zones in the Caribbean and Central America has grown by 35 per cent per year, with employment increasing by 34 per cent per year," said Mr Philip Karp, manager of investment policy for the Stanford Research Institute of the US. "The expansion has provided 230,000 jobs in the past decade. There are now 47 free zones in the region and many more are planned."

The free zones are designated areas outside national customs and tax territories, which offer exemptions on taxes and duties on a range of light industries and services such as garments, electronics, the assembly of electrical appliances, warehousing and packaging.

Production in the zones is mainly for export, and they are favoured by investors because low operating costs, such as labour, give them a competitive edge. Most investors in the region's free trade zones are from North America, but companies from the Far East are appearing in increasing numbers, attracted also by the region's proximity to the US, their major market.

The proliferation of free



Expansion has been greatest in Dominican free zones

zones in the region has given investors a wide choice in location. Competition is strong and the incentives which are being offered by the public and private owners of free zones are being made more attractive.

"In determining which free zones we should use, we look first at the total cost of the operation," explained Mr Richard Michel, manager of the General Electric Company's operations in Mexico, Central America and the Caribbean.

"This is influenced not only by wage rates, but also overall efficiency, shipping costs, taxes and duties and the quality of work we can expect."

Local transport for employees is important as this will determine whether we can run two of three shifts per day. It helps if the free zone is close to our suppliers as this will reduce shipping costs. The infrastructure provided by the park is also important, and those with modern telecommu-

nications facilities, for example, will be favoured."

Meeting these conditions has brought criticisms of free zones from local business sectors. The free zones have become well maintained, highly efficient industrial parks, with facilities denied to local investors who do not wish to, or do not qualify.

Making the free zones more attractive to foreign investors also results in legislative anomalies when special cases are made to remove exchange control regulations and limits on foreign ownership. But although state and private free zone owners refer frequently to the contribution the facilities make to national economies and to employment, they have to fight off repeated criticisms that the industrial parks are not only not worth the effort, but that they can, at times, be counter-productive.

Regional trade unions have argued repeatedly that free zone owners, and the arrangements made with investors, limit the involvement of organised labour, and that although the facilities provide jobs, conditions are no more than those which prevail in sweat shops. The free zones are also attacked for contributing little to the transfer of technology and managerial and industrial skills to the host country.

"There are no restrictions on the involvement of trade unions in our free zones," said Mr Errol Hewitt, general manager of the Kingston Free Zone. "We make industrial relations consultants available to all our clients and this has proven to be very valuable to the investor, the workers and the unions."

"What we are dealing with is poverty," explained Mr Hector Trujillo, vice president of the Colombian Association of Manufacturers. "It is better to gradually offer some income security to people who have none."

The expansion of free zones in the region has been most dramatic in the Dominican Republic. Exports from free zones in 1988 were valued at US\$515m, representing 35 per cent of the country's total exports. Ten years ago exports from Dominican free zones were only 5 per cent of total exports.

In the Dominican Republic in 1989 there were 22,000 workers in four free zones," reported Mr Victor Thomen, a member of the board of the privately-owned Itabo free zone in the Dominican Republic. "Now there are 114,000 workers in 18 free zones and approval has been given for the creation of another 35 free zones."

"There is also a legal risk where the laws governing the free zone operations can be changed arbitrarily. We also assess the degree of labour and wage stability," said Mr Flax-Davidson, Caribbean region director for OPIC.

"We have to be very careful in determining precisely what we want free zones to do for our countries," argued Mr Thomen. "Backward linkages with host economies is possible only if the products from within and without the zones can be competitively priced."

UK NEWS

Chairman of British Rail criticises investment

London 'risks losing' rail role to Paris and Brussels

By Kevin Brown, Transport Correspondent

LONDON will lose out to Paris and Brussels as a European transport hub unless the UK Government invests heavily in new rail capacity, Sir Robert Reid, chairman of British Rail, said yesterday.

Sir Robert's comments, delivered in a lecture to the Chartered Institute of Transport, represent his first public criticism of Government policy since he was appointed in 1982.

However, he made clear that he continues to support the Government's policy of reducing revenue subsidies, which have fallen by more than 50 per cent over five years.

Sir Robert said there were "enormous opportunities" for BR to benefit from the comple-

tion of the European Community single market in 1992 and the opening of the Channel Tunnel a year later.

But he said France and Belgium were planning to create European transport hubs at Charles de Gaulle and Zaventem airports which would be served by a network of high speed trains.

The UK could counter these threats to London only by making sure the money was found for important projects and simplifying the lengthy planning and legislative process.

Sir Robert said it was essential to make an early start on the proposed fast rail link from BR's Paddington terminal, in

West London, to Heathrow airport.

He also called for a quick decision on financing proposed new lines from Paddington to the Liverpool Street terminal in East London, and from Chelsea to Hackney.

These lines, which would cost more than £2bn, are widely regarded as essential if rail congestion in central London is to be eased. However, a decision on whether to go ahead with both or either has been put off for a year.

"Without this extra capacity, congestion on the roads and the railways will begin to strangle us all and make possible the French and Belgian vision," Sir Robert said.

Record high for vehicle market

THE UK commercial vehicle market reached a record level last year, writes John Griffiths.

But UK truck registrations fell by more than a quarter in December compared with a year ago, reinforcing the industry's fears that seven uninterrupted years of expansion are at an end and that 1990 will be

much bleaker.

Statistics show that lighter commercial vehicles - vans and four-wheel-drive utility vehicles - were also in reduced demand in December, but were much less badly hit than trucks. However, the buoyant market across all sectors earlier last year enabled total commercial vehicle registra-

tions in 1989 to reach 371,104, up 4.01 per cent on the 356,783 of 1988.

Of minor cheer to UK-based manufacturers was that imports fell last year, although only marginally, to 39.35 per cent from 39.73 per cent a year earlier. However, the importers' share dipped more sharply in December.

Costs force short cuts under the Channel

Kevin Brown on the options open to the overstretched Anglo-French tunnel project

THE cost of building the Channel Tunnel rail link between Britain and Europe and all that goes with it is the key disagreement between Eurotunnel, the Anglo-French owners, and Transmanche-Link (TML), the builders.

The two sides spent much of yesterday arguing furiously about who should pay for the escalating cost of the project - up from £4.7bn in November 1987 to between £7bn and £7.2bn.

An official of one of the 10 British and French construction companies which comprise TML says: "It has been said that we are trying to build a Rolls Royce for the cost of a Ford Fiesta, and there is some truth in that."

"The tunnel simply cannot be built to the specifications required for the money which is being provided."

While Eurotunnel accuses TML of failing to keep sufficiently careful track of the cash, TML blames Eurotunnel for being too demanding in its specifications for the contract.

"The project was not properly designed in advance by Eurotunnel, and they developed a habit in the early days of asking for the best of everything, whether or not it was needed," says one of the contractors.

"TML did not resist that

strongly enough, and as a result the project has been designed with far too high a level of sophistication, and that could be reduced substantially without affecting the viability of the project."

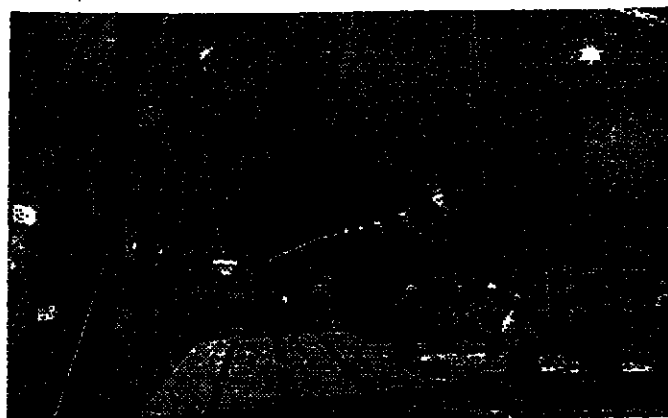
Eurotunnel has agreed to make significant changes to the specifications for the tunnel running between Shakespeare Cliff on the English coast to the Pas de Calais in France as one way of cutting costs to the point where the syndicate of banks which is largely financing the project will agree to unblock the necessary lines of credit to allow work to continue.

The most important change is a reduction from 100mph to 80mph in the speed of most trains passing through the tunnel.

Speed restrictions will save money by reducing the aerodynamic demands on the tunnel infrastructure and rolling stock, which means they can be constructed more cheaply.

For example, Eurotunnel had planned to build shuttles for heavy goods vehicles which would enclose the vehicles in a protective shell.

The proposed 20 per cent reduction in running speed means that these shuttles could now be built to a substantially simpler open design which would be little more than an open rail wagon with



Going underground: TML workers prepare tunnel supports in a completed section of the Anglo-French rail link

a flat platform.

The slower running speeds mean the complex system which will control air pressure in the tunnel - preventing rushes of air caused by the movement of trains - can also be simplified, and the reduction in the required power supply means fewer or smaller sub-stations will be needed to link the tunnel to the UK and French electricity grids.

The impact on capacity is not yet clear, but it need not be great because the lower speeds will allow Eurotunnel to operate with shorter headways (the time gap between trains). Slower speeds could cause

problems for the through passenger trains, which would take an extra 3 or 4 minutes to travel through the tunnel if they were forced to run at less than 100mph. The delay would increase the total running time between London, Paris and Brussels, unless the lost time could be made up either side of the tunnel.

In practice, however, this is unlikely to be a problem in the early years of the tunnel, when it will be operating at significantly less than capacity. One solution would be to give the through passenger trains two or three running slots each, which would allow them to run

at 100mph between the slower running shuttles.

TML is also pressing Eurotunnel to agree to cost savings in several other areas, such as deferring the installation of some power capacity until it is required by increasing traffic. Eurotunnel had apparently planned to install sufficient capacity from the outset to cope with full capacity running, even though that is not expected to be achieved for several years.

The cost cutting is an essential part of the emerging agreement which will eventually allow construction work to continue. But it is unlikely to be very apparent to most customers, since the contracts for the through passenger trains and the shuttles which will carry cars and their passengers have already been passed.

There are likely to be some changes to the detailed design of the terminal facilities, including the deletion or cancellation of a grand architectural arch on the French terminal which will save more than £10m.

Eurotunnel, however, hopes terminal changes will have only a limited impact on most customers since they will spend very little time there. If passengers have time to notice more than the general outline of the terminal, the system will have failed.

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LONDON (TUE)	NR224	12:30	(WED) 10:05 MOSCOW (WED) 21:25	(THUR)	12:25 TOKYO
LONDON (THUR)	NR222	17:50		(FRI)	12:50 TOKYO
LONDON (SAT)	NR222	17:50		(SUN)	12:50 TOKYO
ANA TOKYO (NR) - LONDON (LW) TIMETABLE					
TOKYO (NR)	NR223	10:45	(MON) 14:55 MOSCOW (MON) 16:15	(TUE)	16:50 LONDON
TOKYO (TUE)	NR221	11:20		(TUE)	15:10 LONDON
TOKYO (THUR)	NR221	11:20		(THUR)	15:10 LONDON
TOKYO (SAT)	NR221	11:20		(SAT)	15:10 LONDON

■ Aircraft Boeing 747-LR. ■ Times shown are local times.
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Hurd links
aid for East
Europe to
democracyBy Robert Mauthner,
Diplomatic Correspondent

AID to Eastern Europe should be used as a lever for both political and economic reform, whenever possible, Mr Douglas Hurd, the British Foreign Secretary said yesterday.

"We must target our help upon those countries which carry out the reforms which will lead to democracy and to a free market economy," he said in a speech to the Windrush Valley Rotary Club. Choice at the ballot box and choice in the market place were intimately linked and mutually dependent.

Mr Hurd, who is due to visit East Germany, including East Berlin and Leipzig, from January 23 to 24, for talks with Prime Minister Hans Modrow, leaders of opposition group New Forum and church representatives, is expected to offer increased help to East Germany.

The Foreign Secretary's visit is part of a new British programme of official contacts with Eastern Europe, involving visits by himself and Mr William Waldegrave, the junior Foreign Office Minister, to most East European countries.

Mr Hurd said that the response of Britain and its Western partners to change in Eastern Europe must be generous and imaginative. But it had to be based on a careful assessment of the needs of each individual country.

Ambulance
unions told
to spell out
peace dealBy Fiona Thompson,
Labour Staff

THE Government last night attempted to shift the onus for breaking the deadlock in the 17-week ambulance pay dispute on to the unions by demanding that they spell out exactly how they were willing to compromise on their claim.

Mr Duncan Nichol, NHS chief executive, wrote to Mr Roger Poole, chief trade union negotiator, saying that before he could agree to their request to meet again for talks, the five ambulance unions must give him more details of what they were proposing.

Mr Poole had said earlier in the day that the unions would approach fresh negotiations in a spirit of flexibility and goodwill. "With your co-operation we are sure that a settlement can be reached," he wrote to Mr Nichol.

But Mr Nichol insisted that instead of vague generalisations, he must get an indication of the substantive change in the union's position before a meeting could be held.

During a number of interviews yesterday Mr Poole reiterated what has been the union position for some weeks - that the unions were willing to negotiate on their 11.14 per cent claim and that they were not insisting that any pay formula be linked to a pay mechanism of some sort had to be found to avoid future disputes.

Ford workers 'stole'
assembly line parts

EMPLOYEES at Ford

Halewood, the Merseyside plant operated by the UK subsidiary of the US car manufacturer, stole motor components worth hundreds of thousands of pounds from the assembly line over a period of years, a court heard yesterday.

Mr Eric Somerset-Jones, prosecuting barrister, told Liverpool Crown Court the components were channelled through apparently legitimate retail outlets as part of a conspiracy. This was done on a massive scale over a period of years, he said.

Mr Somerset-Jones said a union-management agreement was in force barring body searches on employees leaving the Merseyside car factory.

"Perhaps partly in consequence of that state of affairs, a number of employees - and it is not suggested that the police have in this case apprehended all who were concerned - used to steal the components from alongside the assembly line," he said.

Mr Somerset-Jones said many cases workers would take components out of the factory fastened under their clothing or secured to their bodies. The parts were collected from the employees' homes and stored in a Liverpool "distribution centre" before being distributed to retail outlets by a "fence".

Three men from an Essex motor parts company are charged with conspiring to handle the stolen Halewood components.

They are Mr Robert James Whyatt, 40, of Billerica, Essex; Mr Robert Anthony Crotty, 29, of Chadwell Heath, east London; and Mr Michael

Robert Holland, 48, of South Ockendon, Essex.

They plead not guilty to conspiring with seven other men and others unknown to handle stolen car parts and accessories belonging to Ford between January 1, 1985 and November 30, 1988.

A fourth defendant, Mrs Lynn Jones, 33, of Badminton Street, Liverpool, pleads not guilty to two charges of handling stolen goods in October, 1988. Seven other men have already been convicted of the conspiracy.

Mr Somerset-Jones said Mr Whyatt was the owner of RJW Automotive, of Barking, Essex, and Mr Crotty and Mr Holland were concerned in the management of the company. He said Mr Whyatt reached an agreement with another man, Mr Ian Paul Ainsworth, 38, of Preston, who has already pleaded guilty to conspiracy, under which RJW would buy the stolen parts Ainsworth had obtained from the Halewood thefts.

He said when police searched RJW's premises, stolen parts with a retail value of £130,000 were seized and invoices found showing they had received stolen parts with a value of more than £250,000 in the preceding year.

Documents found in Mr Whyatt's briefcase showed a "startling increase" in the company's turnover from £279,000 in the year ended April, 1985 to £1.2m in April, 1988. Mr Somerset-Jones said the conspiracy was discovered when a Ford security officer visited a main dealer and found halogen bulbs not in their usual parking. The case continues.



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Notice of Meeting

Messrs. Shareholders are hereby convened to attend the postponed Annual General Meeting which will be held on January 22, 1990 at 2.30 p.m. at the registered office with the following agenda:

Agenda

1. Submission of the management report of the Board of Directors and of the report of the Authorized Auditor.
2. Approval of the accounts and appropriation of the results as at September 30, 1989.
3. Discharge to be granted to the Directors for the proper performance of their duties for the period ended September 30, 1989.
4. Receipt of and action on nomination for election of Directors and Authorized Auditor for a term of one year.
5. Any other business.

The shareholders are advised that no quorum for the items of the agenda is required and that the decisions will be taken by the majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

Aviation insurers suffer \$1bn liabilities

By Paul Betts, Aerospace Correspondent

THE aviation insurance industry suffered its second worst year in 1989 with passenger and lost aircraft liabilities totalling nearly \$1bn.

This compares with \$519m liabilities in 1988 and \$1.386bn in the "disastrous year of 1985", according to preliminary statistics compiled by Aviation Information Services Limited (AISL), an organisation owned by a group of Anglo-French insurance companies which monitors jet accidents and passenger fatalities for insurers.

However, although the cost of air accidents is rising for insurance companies, air travel is becoming safer, said Mr Paul Hayes, a director of AISL.

The accident figures can vary dramatically from year to year, but the long-term trend suggests an overall improvement in air safety especially in view of the sharp increase in passengers.

Nonetheless, 1989 was a bad year with a total of 27 western-built jetliners destroyed or lost. This is 42 per cent higher than the annual average of 19 jet losses recorded since the start of the 1980s. The worst year was 1983 with 26 jet losses.

Of the 27 jet losses, 12 resulted in passenger fatalities with a total of 1,004 passengers killed last year. This is 49 per cent more than the annual average for the 1980s.

Apart from fatalities on western-built jets, a further 135 passengers were killed in known Eastern-built jet accidents.

Mr Hayes said the sharp rise in costs to insurers reflected the combination of higher aircraft repair and replacement costs increasing at a greater rate than inflation coupled with falling premiums. Passenger liability costs were also rising steeply.

Relatives of victims of the M1 plane disaster yesterday made a first anniversary visit to the scene of the disaster, where 47 people died. Three relatives flew from their homes in Northern Ireland to the Leicestershire village of Kegworth to hold a simple, open-air prayer ceremony.

'Nightmare' looms at end of rates Employers could be liable for poll tax collection

By Richard Evans

AN ADMINISTRATIVE nightmare could hit thousands of companies in England and Wales later this year because of a little publicised aspect of the new community charge, or poll tax, legislation.

As many as 1m companies could be liable for collecting poll tax contributions from employees unwilling or unable to pay when the controversial tax replaces domestic rates paid on property on April 1.

But many employers appear unaware of their obligations or of the complexities involved.

Under the legislation introducing the community charge, defaulters can have an attachment of earnings order made against them by their local authority, and the arrears would then have to be deducted from their pay by the employer.

But, in contrast to attachment of earnings orders currently issued by courts for other purposes like maintenance and debt recovery which

state how much to deduct in each pay period, the community charge orders will require employers to evaluate the deduction for each pay period.

It will probably be July before the system of warnings to defaulters is completed by the charging authorities and employers are asked to deduct pay.

The problem for employers will be that each case will be different as they could be dealing with dozens of local authorities, with different rates of community charge as well as various bands of pay.

Mr Maurice Thompson, legislation manager at Peterborough Software, the human resources software company, said: "The combined value of equipment sales and service revenue from cellular radio services amounted to £2.8bn in 1989, an annual growth rate of 35 per cent."

Mobile communications as a whole has become an £8.5bn a year business says the study.

Figure that is forecast to triple in the 1990s.

In addition to cellular radio, the sector includes private mobile radio (PMR) systems and wide area paging systems. The market for PMR grew at only 9 per cent in Europe in 1989, Cit says, while paging grew at 23 per cent. Mobile data communications and CT2 cordless mobile telephones are still too new to show in the figures.

Cit says that growth is being driven by customers' needs: "It is demand from users not a push from suppliers," according to Mr Rob Ollershaw, Cit's director of multitechnic research and analysis.

Mobile Communications in Western Europe 1990; Cit Research, 23 Dering Street, Leicester Square, London W1X 8AA. £4.50.

Britain 'at forefront of European telecoms'

By Alan Cane

MOBILE telecommunications is undergoing an unprecedented boom with the UK at the forefront in Europe, according to a study by the Communications and Information Technology Research (Cit), the London-based consultancy.

The UK is the clear leader among countries in the development of cellular radio, chiefly, it seems, because of its early moves to deregulate telecommunications services.

The Government announced late last year that personal communications network licences would be awarded to three consortia - Mercury, PCN, Bae and Uniflex.

Cellular radio is heading the telecom boom after shattering the high costs of calls and equipment and restrictive capacity limits.

Its growth has exceeded expectations, the study says, with 2.2m European cellular radio subscribers. That implies that more than 66,000 new users are subscribing to cellular radio services each month.

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OBITUARY Businessman behind London landmarks

LORD McAlpine of Moffat, who died on Sunday at the age of 82, the head of the building and construction family, was one of the most influential figures in the industry.

He joined the Sir Robert McAlpine and Sons, family business in 1925. He was born in 1907 and joined the company after leaving Oundle school. He concentrated on administration and development of the company.

Under his direction the company constructed several landmark buildings in London, including the National Theatre and the Shell Centre on the south bank of the Thames.

The McAlpine family group was known as the Dorchester Group, after the Dorchester Hotel which the McAlpine family owned for more than 20 years.

Lord McAlpine became deeply involved in the development of Britain's civil nuclear industry and became an advocate of the advanced gas cooled reactor.

In 1955 he became deputy chairman of the Nuclear Power Plant Company, a consortium represented the north east



Lord McAlpine

group of nuclear contractors. He became the consortium's chairman in 1959. In the same year he was appointed deputy chairman of the Nuclear Power Group formed that year.

The McAlpine company designed and constructed the Bradwell nuclear power station and won the first export order for a power reactor for a nuclear power station at Latina in Italy. In 1973 he became deputy chairman of British Nuclear Associates.

Tories promise priority for Birmingham Six issue

By Robert Rice, Legal Correspondent

MR DAVID Waddington, the Home Secretary, gave an assurance to the Irish Government yesterday that fresh representations made by lawyers acting for the six men convicted of the 1974 Birmingham pub bombings would be dealt with as a matter of priority.

At a meeting in London with Mr Gerry Collins, the Irish Foreign Minister, Mr Waddington said that his representations - which were delivered to the Home Office before Christmas - were "substantial and complex". They were being closely examined by Home Office officials to see whether there was any new evidence which would justify re-opening the case, he said.

Mr Collins described the meeting as "friendly and helpful", but said it was too early to say how long the Home

Office examination would take as neither he nor Mr Waddington yet knew full details of the new submissions.

The six men, Mr Patrick Hill, Mr Hugh Callaghan, Mr John Walker, Mr Richard McIlkenny, Mr Robert Hunter and Mr William Power, were each given 21 life sentences at Lancaster Crown Court in August 1974, one for each of the people who died in two explosions at the Mulberry Bush and Taverna in the Town public houses in November 1974.

A Home Office spokesman said it would be at least a month before any decision was taken on whether to reopen the cases because of the length of the submissions.

Birmingham & Co, the lawyers acting for the men, refused to comment yesterday on the nature of the representations.

FT LAW REPORTS

Digest of Michaelmas Term cases

From November 15 to November 28

FURNESS WITHY (AUSTRALIA) PTY LTD v METAL DISTRIBUTORS (UK) LTD
(FT, November 15)

A charterparty for a shipment from South Australia to India specified that it was governed by English law and provided for London arbitration. Another clause stated that the terms of the Australian Sea Carriage of Goods Act applied so that the Hague Rules were incorporated.

Section 9 of that Act provided that the deemed law of the contract would be "at the place of shipment" and any agreement purporting to lessen the jurisdiction of the Australian courts would be void and of no effect.

Mr Justice Staughton held that the clause that provided for London arbitration overrode the one that the charter was governed by Australian law (see Ocean Steamship [1991] 1 KB 402).

Moreover, the arbitration proceedings were valid in that the evidence showed a common shared assumption that there was a valid arbitration agreement so that the doctrine of estoppel by convention applied.

BATIS MARITIME CORPORATION v PETROLEUM MEDITERRANEO SA
(FT, November 17)

In a dispute between the owners and charterers as to whether the latter were entitled, after nominating one port, to change that nomination once the vessel had arrived at the original nomination, the arbitrators found that the owners were not entitled to damages for breach of contract by the charterers.

On appeal by the owners, Mr Justice Staughton held that the order to proceed to another port was a breach and was not one the charterers had been entitled to give so he ruled that the owners were entitled to damages for the breach of contract.

Moreover compliance with the order had not broken the chain of causation but was an essential link in the chain so that the entire amount of the expenses that the owners had incurred by way of additional war risk premium would have to be taken into account in assessing their claim for quantum meruit as proper remuneration of services rendered, held Mr Justice Staughton.

THE FILIATRA LEGACY
(FT, November 21)

API, the owners of an oil refinery in Italy, sued for an alleged shortlanding of crude oil shipped under a c.i.f. contract.

The shipowners took a preliminary point on API's title to sue. In giving judgment for API, Mr Justice Leggatt stated that where specific goods were sold under a c.i.f. contract, property might pass as soon as the contract was made. But usually that would be negated by the seller's intention to retain a right of disposal until the price had been paid or there was adequate assurance that it would be paid.

In the present case, a standby letter of credit conforming to contractual requirements had been issued by the bank.

That was the very security which the contract stipulated, and since the determining factor for passing of title was the securing of the price, actual discharge was not material so that the property passed on shipment or if not, by the date of issue of the letter of indemnity.

The ULYANOVSK (FT, November 22)

On a voyage charterparty, the charterers gave notice to the owners not to present the ship for berthing unless ordered to do so.

The reason for the instructions was that the charterers had to pay suppliers by formula based on the average of prices on bill of lading date.

However, they had calculated that they could profit from a weakening market by delaying shipment for a couple of days.

In the event, the master disregarded those instructions and the charterers successfully claimed damages in arbitration for breach of contract with reference to their expenses which amounted to \$565,501.

On the owners' appeal, Mr Justice Steyn stated that if the arbitrators' view was upheld the law was relatively simple: the charterers might delay loading during laytime, subject to their obligation to pay demurrage, and subject to the owners' right to sail away after delay became so prolonged as to amount to frustration of the adventure.

It was a readily comprehensible framework against which parties could evaluate the risks of an adventure and agree on appropriate rates.

DORSET COUNTY COUNCIL v SOUTHERN FELL ROOFING CO LTD
(FT, November 24)

Clause 2.1 of a contract for the repair and renewal works to a primary school provided that the council should "bear the risk of loss or damage in respect of the works... and existing structure and contents... by fire, lightning, explosion, aircraft... or articles dropped therefrom."

During the course of the works the school caught fire and there was severe damage to buildings and contents. On the present preliminary issue the court was asked to assume that the fire had been caused by the contractor's negligence. In dismissing the contractor's appeal that clause 2.1 did not absolve it from liability in tort, the Court of Appeal stated that when the clause was read as a whole, two significant features emerged: the heads of loss to which the clause related were not restricted to loss and damage to the works, but extended to the existing structure and contents by fire, lightning, explosion, aircraft... or articles dropped therefrom.

Therefore it could be assumed that once the draftsman had chosen to refer to a number of causes of damage which involved no fault on anyone's part, he did not have in mind damage by negligence without negligence on the contractor's part.

MACKINLAY (HM) INSPECTOR OF TAXES v ARTHUR YOUNG MOORE & CO
(FT, November 22)

The Inland Revenue won its appeal to the House of Lords that relocation expenses paid to partners in an accountancy firm were not deductible from the firm's profits for tax purposes under section 130 of the Income and Corporation Taxes Act 1970 because they were not wholly and exclusively laid out or expended for the purposes of the trade, profession or vocation.

Lord Oliver stated that whether expenditure was laid out for purposes of the partnership business could not be ascertained by establishing the motive with which the expenditure was intended to serve the partner's personal interests in establishing his private residence and was not exclusively for the purposes of the practice.

Aviva Golden

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FINANCIAL TIMES
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TECHNOLOGY

Hester Thomas describes the growing interest in holograms as corporate art.

Taking the image on to a new plane

An intriguing sight greets visitors at the refurbished reception area of Shell UK's head office in London. At the end of a colonnade, flanked by stained glass windows showing the four elements, is a three-dimensional vision of planets, stars and spiralling galaxies which appears to move as the viewer walks around it.

Two holographic glass plates, measuring two metres by one metre with a projected image of 80 cm, have been used to create what is believed to be the largest full-colour holographic image in the UK. It is based on a theme of energy.

Holograms have been available in commercial form since the 1960s. Demand for them has been stimulated by their use in exhibitions. In the UK, their popularisation was hastened by the Light Fantastic exhibitions at the Royal Academy of Arts in the late 1970s and Light Dimensions at the National Centre for Photography in Bath, in 1983.

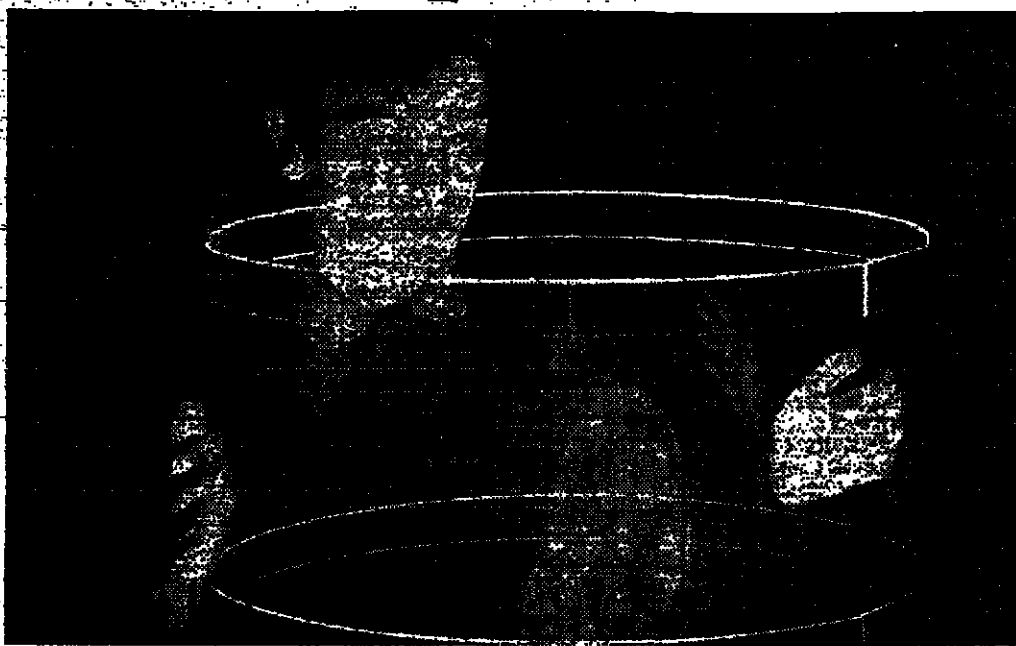
The public has since become used to seeing holograms on credit cards or as prizes in breakfast cereal packets. In the business community they have been used as eye-catching point-of-sale material or in inexpensive gifts such as key-rings and paperweights.

The emphasis has been on the production of small, novelty holograms. Rarely have they been used in a large-scale capacity or shown to their full effect.

The hologram as corporate art is available from only a handful of companies in the UK. A large-scale display hologram costs between £8,000 and £80,000.

Chris Lambert, managing director of Laza Holograms, based in Reading, estimates that this year he has provided five customers with tailor-made display holograms. Holographics UK, which operates in the corporate and leisure sectors, employs 10 people and has a turnover of about £500,000. John Vogel, sales director, estimates that 75 per cent of its holograms are for corporate displays.

Holograms are also produced for magazines, brochures and as gifts. In 1987, Holographics produced a hologram of the Michelin Man, shown at the Stoke-on-Trent Garden Festival. The image was 1.25 metres high and had a total projection of 5 metres — one of the largest produced using the Rain-bow Benton transmission tech-



Exhibitions have stimulated the market for holograms. This one formed part of a display at the Museum of La Villette in Paris

nique, which records the image via a horizontal slit on to the holographic plate.

David Reed is creative director of Axis Holographic Design, which devised the Shell hologram. He believes there are few large-scale display holograms "because people have been dazzled by the nature of the medium, neglecting the design of the image."

A hologram results from the physical interaction, called interference, between two sets of light waves, both of which originate from a coherent light source (in which all the reflection has the same wavelength), such as a laser.

One set of waves, called the object beam, is scattered by the object and interferes with the second set of waves, called the reference beam, on the surface of a plate covered with a chemical emulsion. This is developed in a process similar to the treatment of photographic film.

There are two basic techniques — reflection off the holographic plate or transmission through it. Further variations are achieved using different substrates, such as glass or film, and different chemicals covering the holographic plate.

Manufacturing companies have tended to concentrate on a particular technique. Laza Holograms, for example, specialises in film holograms. Others have focused on the high-volume, low-cost embossing technique used on credit cards, a multi-million pound industry.

Axis Holographic Design and Holographics UK are among the few companies which take design as their starting point and then choose an appropriate holographic technique to achieve the desired effect. Axis's clients have included London Fox, the Futures and Options Exchange in cocoa, coffee and sugar; RTZ Chemicals (now part of Rhône-Poulenc); and the insurance company Factory Mutual International.

Reed and his partner Marc Edmunds have received more interest in corporate display holograms from financial institutions and manufacturers of industrial products than from high-profile companies producing consumer goods.

This may be because a hologram provides an opportunity to make a statement about a company in its home environment — the boardroom or

reception area. Other companies prefer to spend their money on product advertising.

London Fox commissioned a hologram of its new corporate identity — an agile russet-coloured fox — as a centrepiece for the reception area of its London office. The image is projected out of a 100 cm by 95 cm glass plate and is achieved using a white light silver halide reflection technique, which gives a rich monochromatic image. The silver halide covering the holographic plate can be controlled to reflect a narrow band of colour.

The holographic plate would normally be coated with a black backing. However, as the hologram was being installed in front of London Fox's security room, the plate had to be transparent in order to satisfy surveillance requirements. Axis developed a transparent tinted backing for the plate, which maximised the transmission of light while maintaining a sharply defined image.

The most technically exacting work to date has been the Shell holograms — not only in terms of their size but also in their use of colour. "Although full-colour holography had

been proven in the laboratory on small-scale systems, full colour had not been attempted with the scale, depth and projection of the Shell holograms," says Reed.

Axis used a Quantel Graphic Paintbox computer to generate a full-colour two-dimensional image of outer space, which was then colour separated into red, green and blue slide transparencies.

The silver halide reflection technique typically produces an image in either green or red. Through chemical swelling of the silver halide in the emulsion (covering the holographic plate), the colour can be shifted to any part of the spectrum. The emulsion was swollen before exposure to record and reproduce the appropriate colour.

The difficulty for the holographer lies in the fact that each swelling of the emulsion distorts the position of the image when reproduced. This is not a problem when there is only one exposure. However, the mixing of three exposures and three colours can result in a blurred misregistration.

The camera and holographic plates had to be precisely adjusted and it took two months of experimentation to achieve the correct registration for a full-colour image. "In retrospect, we stuck our necks out," says Reed, "but it worked."

Holograms certainly catch people's attention. "They either love them or hate them," says Brian Robinson, project manager at RTZ Chemicals. "Mostly they love them."

But why opt for a hologram in a head office reception when a painting would suffice? "We're a high-tech company and we wanted to display a high-tech image to customers," explains Robinson.

Solomon Balas, chairman of Third Dimension, which specialises in film display holograms for companies such as Black and Decker and Union Carbide, says: "People react physically to holograms. They walk round them and they become talking points."

Axis is not only interested in producing holograms of corporate identities or works of art. Reed believes they could be used as communication tools. For example, animated holograms — where the image changes as the viewer moves around it — could be used by a pharmaceutical company to show the degenerative effects of a disease and the regenerative effects of its treatment.

Wing mirror moves inside

THE AERODYNAMIC designs of today's motor cars are spoiled by one thing — the wing mirrors.

To do away with these protruberances, a UK firm has developed a wing mirror which sits inside the car.

It relies on a series of interconnecting prisms, one of which is attached to the outside surface of the car.

The optical tool is designed so that the view seen on the in-car mirror is the same as that seen on a traditional wing mirror. The mirror can be engineered into the door so that it can be adjusted manually.

As well as cutting down on vandalism and increasing fuel efficiency, the in-car mirror could reduce noise. The wing mirror accounts for a significant proportion of the external noise produced by a moving car.

The device, developed by de Montfort Management, of Lichfield, could be incorporated into the driver and passenger doors of production models within the next three or four years.

Shear comfort for sheep

YEARS of research and a million pounds of investment have gone into developing a tool that can give sheep the latest short back and sides.

The aptly named Concorde sheep shearing handpiece, developed by Lister Shearing Equipment of Gloucestershire, relies on a unique combination of mechanical tooth cogs to enable shearers to give their sheep a more comfortable shave.

The manufacturer claims that the electrically driven shearer generates less heat and vibration than existing machines.

Coal analysis to cut costs

A WAY OF cutting the running costs of coal-fired power stations has been developed which uses nuclear and microwave techniques to analyse coal composition.

The system, developed by the UK's Harwell Laboratories, can handle 60 tonnes of coal an hour and takes less than 30 minutes to produce results.

It operates by dropping the

coal stream through a chute and bombarding it with neutrons, emitted from a shielded radio-isotope source. When the neutrons interact with the atoms in the coal, gamma rays are produced.

Each of the atoms in the coal produces gamma rays with a different energy level. By measuring the rays and analysing these measurements by computer, the power station operator can detect, for example, whether the coal will produce a lot of ash. It can then adjust the combustion process to give the optimum power output.

By sending microwave signals through the coal stream, the system can also determine the water content.

Sewing seeds for healthy frying

ALLELIX Crop Technologies, of Toronto, has developed a genetically altered Canola (rape seed) oil that could take the guilt out of eating chips and other snack foods, writes Robert Gibbens.

Under a contract with Frito-Lay, of the US, the world's largest snack foods manufacturer, Allelix set out to make a more nutritious edible oil which also fried well and had a long shelf life.

Canola already provides a healthy alternative to most oils: it is high in mono-unsaturated fat and contains only six per cent of saturated fat — the kind which can lead to high cholesterol levels and heart problems.

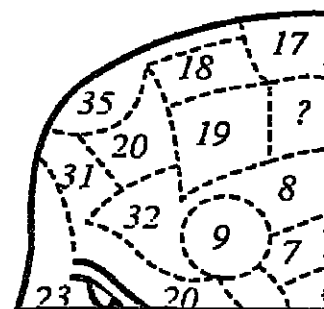
Allelix says it has used cell biology and selective plant breeding to raise the mono-unsaturated fat level. It is applying for patents in North America, Europe and the Pacific Rim area.

Computer charts without a PC

SOME of the most sophisticated computer-generated graphs and charts can now be shown in conference and seminar rooms which are only equipped with the ubiquitous overhead projector.

To obviate the need for a personal computer, the Transview Memory, as it is called, incorporates a transparent liquid crystal screen which can be placed on top of any ordinary overhead projector. When the light is switched on, the graphics are projected on to the screen.

The Transview Memory stores the computer graphics



WORTH WATCHING

Edited by Della Bradshaw

on a two-inch removable disk, each one containing more than 50 images. Stored images can be replaced individually — without having to wipe the disk clean.

Developed by Davis of Drammen in Norway, and sold in the UK by Datascan, of Surrey, the Transview Memory screen has more than 300,000 pixels, or picture elements. The images of pictures or text can be displayed in black and white, or 28 shades of grey.

Waves threaten immunity

CHINESE researchers have carried out field studies which suggest that the human immune system is impaired by exposure to low level microwave radar or radio frequencies.

The report, produced by the Zhejiang Medical University of Hangzhou and reported in the UK newsletter Electromagnetics News, contains evidence collected from 1,170 students and soldiers living near radio antennae and radar installations for a minimum of one year. A control group of 639 were also put through the same tests.

Researchers noted that in the group exposed to the highest powered waves — power densities of 13 to 42 microwatts per square centimetre — the ability of white blood cells to destroy bacteria (a process known as phagocytosis) was impaired.

The researchers also observed deterioration in visual reaction time and memory.

CONTACTS: De Montfort, UK, 02543 520555; Lister, UK, 0453 54141; Harwell, UK, 0235 821111; Allelix, Canada, 416 677 0831; Davis, Norway, 0 83 56 50; Datascan, UK, 0784 43 43 77; Electromagnetics News, UK, 0483 428522.



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MANAGEMENT: The Growing Business

Dangers of ignoring culture and style

Charles Batchelor reports from an entrepreneurship conference that the onus lies with acquiring companies

Many small, high technology firms face a choice between struggling to finance new innovations from their own limited resources or becoming part of a larger group. But selling out to a larger company, even when the arrangement is entirely amicable, is no guarantee of success, according to a study of two recent mergers by Elizabeth Garney and John Roberts of Cambridge University.

The two academics presented their findings at the second annual conference of the European Foundation for Entrepreneurship Research (EFER) held in Fontainebleau, France last month.

The first merger involved Baddeley Associates, a Cambridge-based company supplying technical documentation and user manuals for the computer industry, which sold out to CAP, a large computer services group in 1986. At the time, Baddeley, which had been set up by Julie and Philip Baddeley in 1982, employed 35 people and had pre-tax profits of £260,000.

For Baddeley, the deal

offered financial security and the backing of a company with a reputation for encouraging innovation; while CAP believed in growth through acquisition.

But from the start Baddeley encountered resistance from CAP's middle managers, although they were now offering customers an improved service they had to charge more and they feared this might make it more difficult to clinch contracts. They also resented the price which CAP had paid for Baddeley, Julie Baddeley reported.

The effort that Baddeley's staff had to make to persuade CAP managers to accept the new acquisition meant Baddeley's morale suffered. The merger was hit when it became clear the company could not achieve the targets set in the purchase deal. Julie Baddeley found herself spending a lot of time on reports, forecasts and analyses for CAP.

Instead of concentrating on the needs of customers, as they had done in their first few years, employees of Baddeley became caught up in the organisational world of CAP, which shortly afterwards merged with Sema Metra, a

large French group. Cambridge Interactive Systems (CIS), a small computer aided design group, initially managed to avoid a similar cultural clash when it was taken over by Computervision, a large US company, in 1983, but only because Computervision had no specific plans for its new acquisition.

Shortly after the acquisition by Computervision it became clear the US group had no clear strategy for CIS, the researchers reported. This vacuum allowed CIS's managers to shield the company from some of the more destructive aspects of the larger corporation. In the short term, however, the merger caused great disruption for CIS and little obvious benefit in the long term.

On the development side the relationship was more successful because CIS was established as a separate profit centre within Computervision and the independence it enjoyed meant that the entrepreneurial spirit it had had as a separate company was maintained.

But even these benefits were lost when Computervision's performance faltered and in 1987 Prime, another US com-



"YOU WANTED FINANCIAL SECURITY, DIDN'T YOU?"

puter group, made a successful hostile bid for Computervision. Prime made a deliberate effort to integrate CIS, CIS's name board came down and its independent board dissolved.

The subsequent clash of cultures prompted CIS staff to label Prime as a "technically dead" company full of conformists while CIS staff were variously characterised as "a bunch of Communists", "immature", "arrogant" and "unworldly", Garney and Roberts reported.

Prime saw itself as a marketing-led company playing for global market share while CIS considered itself to be a development company relying on close contact with individual customers. The strain began to show when Prime in the US

ordered an end to unauthorised contacts between the development team and customers, saying this was a job for the marketing department.

Prime merged its own and CIS's development teams working on competing versions of a 3-D modelling system called MEDUSA, thus prompting staff defections. CIS had lost no more than a dozen development staff in the 10 years up to its acquisition by Prime. In the 15 months after the acquisition it lost 43 from the combined technical group of 110.

Unless the larger partner is very careful it can destroy the very advantages it seeks from the smaller firm - the loyalty and commitment of staff, the creativity and excitement which are reflected in its products, the researchers warned.

Subtle and frequently neglected elements of culture, style and vision are critical to the success of the venture, they said. The acquiring firm must explain the rationale of the acquisition to its employees; establish explicit procedures to solve problems; and must not leave the integration effort to individuals in the acquired firm.

"EFER was founded in 1987 to fund research into growing businesses with European or global potential. Most research is carried out on a purely national basis despite the approach of 1992 and the single European market. Even EFER has found it difficult to get academics to look beyond their national horizons, however, and it plans in future to fund studies involving academics from more than one country and insist that national studies are carried out on a common basis so their findings are comparable."

Learning at a distance

Charles Batchelor on training for small business owners

Fewer than two in 100 small firm owners have had any training in how to run a business despite strong evidence that training can sharply reduce the risk of failure. Persuading them that tuition could improve their performance is a task that has baffled training organisations.

Many businessmen say they lack the time while others are unwilling to expose the problems their business might be facing by attending courses open to friends, acquaintances and business rivals.

Cranfield School of Management and The Open University believe that many of the barriers to business training can be overcome by a new £15m distance learning pro-

gramme due to be unveiled later this month. The programme involves the use of a combination of workbooks, audio and video tapes and workshops to tackle the problems most commonly encountered by growing businesses.

The idea, which is not new, is that businessmen can follow the workbooks and tapes in their own time. What is new about the programme is its application of the conventional distance learning techniques used by the Open University to the small firms area and its focus on practical growing business issues.

The target for The Small Business Programme is the existing firm with between five and 50 employees, says Paul

Burns, responsible for Cranfield's part in the project. The programme is subtitled Management Development for the Growing Business.

The programme covers 24 subjects. These include marketing, using design, pricing, selecting employees, time management, leadership, accounting, debtor control, office management, using computers and production. Individual modules cost £105 plus VAT while the fee for attending workshops is about £100. Programmes introducing the courses will run at mid-day on Saturdays on BBC2 from next month.

"The Small Business Programme, Cranfield School of Management, Cranfield, Beds MK43 0AL. Tel 0234 750414.

The search for the right employee

How do you react when a staffing crisis occurs? Suppose that your supervisor bursts into your office and pants: "Alf is leaving - we must get someone else before next Monday!"

As a successful entrepreneur you thrive on your quick reactions to problems. So you snap back: "What are you hanging about for? Get an ad in the local Echo!" But wait, urges the CBI in a new booklet entitled Finding People for Your Business. This rapid response is unlikely to be the best way to deal with a staffing emergency. The manager needs to ask

some basic questions before taking any action:

- Why is Alf leaving? Could he be persuaded to change his mind and are there lessons that you can learn to save losing other staff?
- What exactly is the job that Alf does? He may have been taken on to operate a particular machine but if orders are down for the product from that machine there may be no need to replace Alf's skills.
- If a replacement is needed does the work have to be done by a new employee or could it be shared between other existing employees, possibly with

the help of overtime working?

- Could the job be done on a part-time or job-share basis? Could the company employ temporary or casual workers?

By pausing to get the answers to these questions you could save on payroll costs, improve efficiency and productivity and increase profits, the CBI suggests.

The booklet offers guidance on filling vacancies, preparing job descriptions, holding interviews and creating attractive pay packages.

* CBI Publications, CBI, Centre Point, 103 New Oxford Street, London WC2A 1DU. £5.

In brief...

Employee share option plans (ESOPs) represent one way for family-owned and other businesses to motivate staff and ensure the long-term independence of a company. ESOPs, Share Schemes and Performance Related Pay for Executives and Employees is the title of a one-day seminar to be held on February 22 in London.

Contact Professional Conference & Training Services. Tel 01-284 0470. £225 plus VAT.

The Toshiba Year of Invention Competition has been extended to its third year with more than £100,000 worth of prizes available to small businesses, individuals, schools and universities or colleges

which have devised a new and potentially useful idea.

Entries for the 1991 competition will close on April 2 1990 with the winners of the second (1990) competition due to be announced on February 8. In its first year the competition was won by a Yorkshire farmer who invented a machine to sort grains of wheat.

Contact Ravenstone Public Relations, 14 Verwood Road, Harrow, Middlesex HA2 5LD. Tel 01-888 0880 or Design Council, 28 Haymarket, London SW1T 4JU. Tel 01-339 8000.

St John's Innovation Centre in Cambridge has signed a co-operation agreement with Oulu Technology Park in Finland to encourage joint projects in the fields of marketing, technology and training.

The two science parks intend to bring together small high-tech entrepreneurs, large companies and research institutes.

Small businesses operating in the traditional steel-making areas of the UK may be able to obtain small amounts of equity capital from British Steel Industry (BSI), the organisation set up to promote job-creation in areas hit by steel plant closures.

BSI has made 10 investments between £25,000 and £100,000 in recent months. Often the equity finance, which includes a buy-back option for owners on pre-determined terms, is accompanied by loan funding.

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ARTS

Response to the pity of war

William Packer on the exhibition at the Imperial War Museum

Bill Woodrow was one of our stars of the 1980s, one of those young sculptors along with such as Tony Cragg, Anish Kapoor and Richard Deacon, who achieved wide international recognition and reward. Whether he and his fellows are mere shooting stars, all too soon to burn themselves out, or have won for themselves a more permanent place in the firmament, remains to be seen. As yet their work is never less than interesting, any new show an event.

Last year the Imperial War Museum invited Woodrow to make free with the collections and work from the experience. *Point of Entry*, the exhibition now at the Museum (until February 4), is the result. Such institutional collaboration with a serious artist is seldom disappointing, and this is certainly intriguing. Yet for all the recent efforts of its governors to turn it into an adventure playground, the War Museum is rather a special case, a serious and sobering place, but one much misunderstood.

Every man thinks meanly of himself for not having been a soldier, said Dr Johnson, which is too sweeping a dictum, but touches a nerve even so. Though there has never been anything gung-ho, jingoistic or chauvinistic in the Museum's treatment of its material, the modern liberal conscience has often found it convenient to believe it so, wishing to convince itself, quite as much as the rest of us,

that it alone has realised the waste, the horror, above all what Wilfred Owen called "the pity of war". We have only to look to the response of artists more immediately engaged for the pretence to be exposed. Owen may have spoken out against the "... old Lie: Dulce et decorum est Pro patria mori," but he was no pacifist, neither were the likes of Sassoon, Graves and Blunden. Kipling, the older observer, was bitter in his irony. "Lutyens' Cenotaph, every regimental memorial by Kensington or Epsom, any village monument - all are poignant with a sense of loss."

In the final gallery, beyond Woodrow's personal choice from the collections, hangs "Gassed", a huge canvas by that arch flatterer of Edwardian high society, John Sargent, who was with the Canadians on the Western Front. With its studies and associated water-colours of trenches and encampments, it makes the point direct, if ever it needed making, that whoever would argue for a white poppy for peace on Remembrance Day rather than the familiar British Legion red, is dreadfully mistaken.

The problem for Woodrow in all this is to discover and express a true and personal response to what must be for him a vicarious experience, yet experience that has profound social and cultural resonance. The cliché is all but impossible to avoid and at his worst he is obvious and sentimental. A

tangle of guts pours out of the "Point of Entry" to spell Mum and Dad across the floor, a cripple's crutches point a reminder, which must yet be spent out; bandages are wound round metal stumps. The punning "Un till the land" is a mawkish travesty, a splayed skeletal figure cast as a plough. He should re-read Hardy's short poem of 1918, "In time of The Breaking of Nations". But all is not lost. In formal terms this is Woodrow's most interesting show for many years, for while the work remains essentially figurative and even illustrational, in that the idea is given and then described, the objects are now integral, complete in themselves. They stand or fall by their individual sculptural presence, beautifully made for the most part, yet no longer preventing themselves on the imagination's ingenuity which conceived them, or the dexterity by which they have been put together.

Woodrow has reached a turning point in his development, putting away his shears and pliers at last, that have sustained him for so long, in favour of more varied forms. He has made his last silk purse out of a fringed door, and the transition is evidently uncomfortable. But one work here, "First Chair", the most ambiguous though full of symbols, is by far the most successful - a tilted chair, a sickle, a sort of weeping willow branch with gloves as leaves.

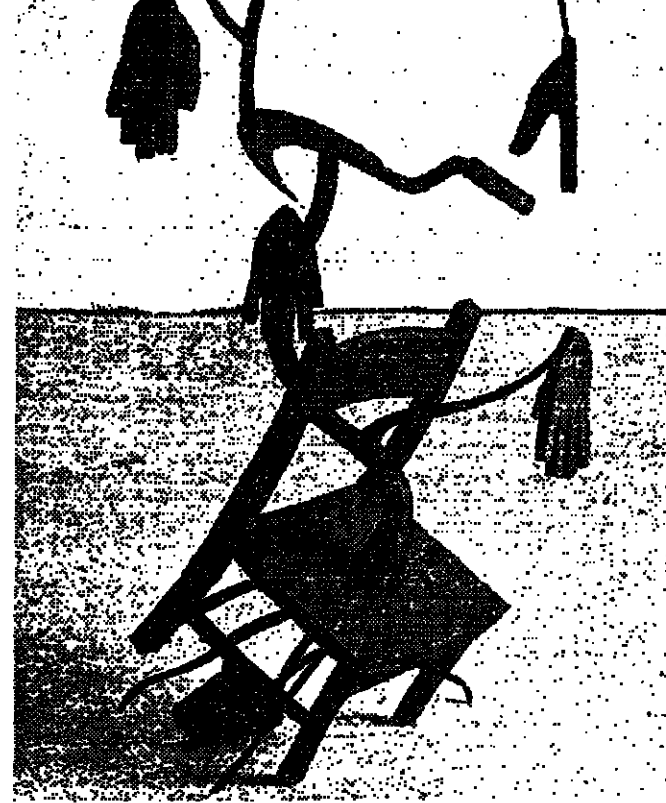
Free of his dark thoughts and literal, sentimentalising, Woodrow seems set to renew his work and surprise us all.

★ Early in 1988, at Winchester, an exhibition, opened of the cathedral drawings of Dennis Creffield. Michael Harrison of the South Bank Board had seen some drawings by Creffield of Wells Cathedral and asked if he would care to do enough for an exhibition. Creffield had long nursed the ambition to draw every cathedral and abbey church in the country, and so it came to pass that he was commissioned and sent on his way.

This remarkable show has been touring the country ever since and has now come to London, to the Camden Art Centre (Arkwright Road NW4 until January 8), last of all. He must be the first artist since P.L. Ormerod, of the Highways & Byways books, to have worked at so many great churches, and the first since Turner to have done so with such expansive gusto. Having reviewed that first show with some considerable enthusiasm, on this page, I was curious to see if my initial judgement held.

If anything the work is now even more impressive, for Creffield has added to it in the meantime, notably some magnificent drawings of Westminster Abbey. In the more ample spaces of Camden, the collective authority of the work is unmistakable.

These are not close architectural descriptions, but



Woodrow's First Chair, 1989: Cardboard into bronze

free expressionist responses to the physical experience these buildings afford. Yet to anyone who knows them, they are immediately and potentially recognizable.

Sometimes shadowy and indistinct, sometimes a flurry of active marks, sometimes the vaulting of the interior, sometimes the towers and spires and buttresses outside,

whichever it is, these charcoal drawings generate an extraordinary physical charge and entirely capture the imagination.

I could not recommend them more strongly. Creffield is a fascinating speaker and is to give an open talk around his subject in the gallery next Sunday at 3 pm.

The Nutcracker

FESTIVAL HALL

It is not often that opera sets child voices against adult ones, but when it does - *Hänsel and Gretel*, A Midsummer Night's Dream - the effect is deeply touching. Ballet, however, takes kids from it. Very often. And you may agree with me that there's something perfect in the idea of *The Nutcracker's* first scene, as Chalkovsky gives appealing opportunities to children, parents and grandparents, who all join in the same Christmas party.

Like *Hänsel and Gretel*, *The Nutcracker* is natural Christmas fare. But how different they are. *Sweet's* in *Hänsel*, the witch uses them to lure children to doom. In *Nutcracker* she's the basis of a child's view of paradise - Konstantin, Konstantin, Konstantin, says too that "Whosoever shall not receive the kingdom of God as a little child, he shall not enter therein." It is our loss that no local company has staged Balanchine's *Nutcracker*, which in New York has been a definitive Christmas masterpiece for all ages and intellects for 35 years now.

As with *Hamlet* and *Swan Lake* and *Carmen*, you can chop and change *The Nutcracker*, and it will still be there, giving audiences what they want from it. But why try? In particular, why tamper with the score of Act I, which is as perfect as anything Chalkovsky ever composed? Peter Schaufuss's production for English National Ballet features musical interruptions - and additions from other Chalkovskyana (*Voyage*, *Hamlet* and *Children's Album*).

Why? Because Schaufuss's *Nutcracker* is not about Chalkovsky's score. It is designed, rather, to flesh out a theory - the Roland John Wiley notion that the death of Chalkovsky's sister and niece gave him the inspiration to compose the never-never kingdom of Sweets and to see himself as Drossel-

mayer, the magician. Yet, Schaufuss's staging has little conviction about this. He has used Wiley's theory just to lend his staging a highbrow value. And meanwhile he's made a *Nutcracker* party where parents and children avoid each other and leave separately.

It is a clumsy affair, but my impression is that most of the audience pay as little attention as possible to this pretentious overlay and concentrate on the traditional ballet beneath. As a pantomime, this isn't bad. Snow and Sweet scenes glide alone decently, there's a jolly assortment of Sweet diversions, some of David Walker's costumes and his Act II fairy tale castle are picturesque, and the snow falls loveably, like cascades of orange blossom. But, as a dance show, there's not much to it. It includes the most dully repetitious version I've seen of the Waltz of the Flowers - which inspired Balanchine and, for that matter, Walt Disney, to their most sublime. Danced by a small ensemble, it keeps bringing back the junior heroine and here to the stage in rows of jets on attitude again and again. *The Nutcracker* is in every sense a child's initiation to ballet, but Schaufuss's staging suggests that kids may ignore steps and choreography as a necessary but insignificant inconvenience.

I like the way that Schaufuss uses his adults as an ensemble, with company principals cast in both supporting and leading roles. Friday's Sugar Plum couple, Laura Contardi and Maximiliano Guerra, gave elegant, cold, unrelaxed performances. No generosity of spirit, no radiance. Don't they remember that we out there in the hall are Everychild and that they are showing us a dream image of adult love and chemistry?

Alastair Macaulay



Anna Caterina Antonacci, Stefano Antonucci and Marcello Lippi

Rossini's Torvaldo e Dorlisca

TEATRO CHIABRERA, SAVONA

Last season, in its home-theatre, the Teatro Chiabrera in Savona, a brave little opera company, the Teatro dell'Opera Giocosa, presented a rarely-heard early opera by Rossini, *Ciro in Babilonia*.

It proved to be a work of considerable fascination and of undeniable historical importance. For its current season, the same company has mounted an equally unfamiliar, but far more mature piece, *Torvaldo e Dorlisca*, which was first heard in Rome, at the Teatro Valle, on 26 December 1815, less than two months before *Il Barbiere di Siviglia* made its debut at the nearby Teatro Argentina.

Both operas had the same librettist, Cesare Sterbini, who, for the later of the two, could draw not only on the Beaumarchais play but also on a preceding libretto for Paisiello. In the case of *Torvaldo e Dorlisca*, Sterbini presumably relied on earlier, familiar operas like Cherubini's *Lotario*: for the Rossini is a "rescue opera," a semiseria piece in a tradition whose eminent exemplar is *Fidelio*. Perhaps Rossini's most effective essay in this genre is the strange, ambiguous *La gazza ladra* (1817); while *Torvaldo e Dorlisca* does not have the same power, it is, nevertheless, full of characteristic Rossinian invention, including many instrumental felicities, and there are several splendidly intricate ensembles, as well as the required display pieces for the principal characters.

The hero and heroine, in the best "rescue" tradition, are husband and wife, tenor and soprano. The baritone is a powerful overlord (it takes place somewhere in northern Europe), who loves the faithful Dorlisca. His comic servant Giorgio, also a baritone, is a kind of scaled-down Rocco figure, whose humanity finally leads to the release of the imprisoned couple and the arrest of the villain. Though, of course, the opera never reaches the noble heights of "Abscheulicher" or the evil depths of "welch ein Augenblick," it has a fluent structure, a coherent tone that can encompass domestic grief, thwarted passion, comprehension and subversive weakness, and heroic determination.

Rossini's original cast included Domenico Donzelli and Filippo Galli, and the score demands star-level vocal

William Weaver

The Hollywood principle muscles in on Broadway

Broadway has been fending off Hollywood since the movie palaces pushed theatres into the side streets of New York in the 1890s, but only in 1989 did the California crowd take over the legitimate theatre.

Actors practicing their skills have already made Los Angeles a thriving theatre centre. New York was their next challenge, which they have met with unanticipated success. Dustin Hoffman led the way as Shylock in the import of Peter Hall's West End production of *The Merchant of Venice* at the 46th Street Theatre, as Londoners know, Hoffman is a convincing, meditative Shylock who manages to arouse pity and contempt in surprisingly equal measure.

Hollywood producers have always used star names to attract audiences and the trick works on Broadway, filling the balcony seats with enthusiastic teenagers to see singer Sting in the rebuffed *Thelma Houston* Opera House. Macbeth as a young dapper and stiff James Mason in John Dexter's lacklustre production at the Lyric Theatre.

Tyne Daly, best known for her long-running TV sitcom, belts the songs of *Gypsy* like a new Ethel Mermaid, but she lacks the smoldering charisma of Herbie, the gaudy chap she stars in "Gypsy" with. Besides the great Styne-Sondheim songs, *Gypsy* anticipated by a generation the lives of career women: it is a far cry from the musically meagre, reshaped films that pass for new musicals like *Meet Me in St. Louis* and *Grand Hotel*. A *Fay Goddard* was to be made into a film before the producers decided to make a play of it first. It opened in November at the Music Box, as the only contemporary American drama scheduled for the 1989-90 season. Director Don Scardino, known for his acting with the Dodge Theatre a decade ago, compensates for the stark, limited visuals of a court martial play with an excellent cast and intermittent lighting effects by Thomas R. Skelton. Playwright Aaron Sorkin sets the



Joan Allen in "The Heidi Chronicles," which successfully transferred from off-Broadway to Broadway proper

play at the American Marine base at Guantánamo Bay, Cuba in 1985, to delve into the Marines' brutal code of honour behind the murder of one recruit. As courtroom drama the play lacks the twists that make for surprise, but as a character study, it turns the lawyer (Tom Hulce), who might have been just a Marine misfit, into a charming exemplar of the contemporary young professional still valuing principle over income. Megan Gallagher melts just at the right

moment as his superior officer and Stephen Lang makes the old-fashioned discipline of the marine unit sound almost plausible in his stiff-necked performance which successfully skirts the boundaries of parody. California showmanship comes to *Tru* in the form of a urbane mask that makes boyish gap-toothed actor Robert Morse look exactly like the purr, disolute, ageing Truman Capote. As the subject of an evening's impersonation, Capote is no Dickens,

Mark Twain or even Oscar Wilde; humour tends to revolve round snide remarks about living people like Gloria Vanderbilt and Norman Mailer.

Set in Capote's gaudy flat with a panoramic view of New York, Jay Presson Allen's play, which she also directed, catches *Tru* in a low state near Christmas in 1975. It was just after New York high society ostracized him for letting Esquire publish an excerpt of his bitchy and revealing novel, *Answered Prayers*. The subject comes off as mildly self-pitying, but amusingly bitchy with a kooky appeal in what is, in the end, an endearing memorial to a character who may have been his own best creation.

Hollywood gets top billing as the title of *City of Angels*, Larry Gelbart's parody of Raymond Chandler with songs by Cy Coleman and David Zippel. Scenic designer Robin Wagner captures the steamy, airless city in black-and-white that was Los Angeles in the 1940s. But instead of a well-constructed plot, the musical at the Virginia is merely complicated, with the detective story inside the angst of its writer selling out to Hollywood. James Naughton is the detective and Gregg Edelman the author with Renee Archer-Jones stealing the limelight as a Hollywood mogul putting the screws on the writer. Michael Blakemore directs it as a play with music.

Off-Broadway, which once seemed to epitomize transiency, now seems more hospitable than Broadway, giving longevity to topical plays like *Off People's Money*, the story of the brass New York takeover artist in a decade New England setting, and *Only Kidding*, a backstage look at the brutal business of comedy. The Three Dollar Bill company, which playwright Victor Bumbalo founded a year ago, came into sudden prominence with his play *Adam and the Experts*. Its update of the AIDS epidemic focuses on the recent surfice of medical and spiritual advice. Off-Broadway even spawned three Broadway productions, a trick that

used to be confined to Joseph Papp and his Public Theatre. Papp failed to transfer David Hare's *Secret Rapports* successfully to Broadway, but *Sweeney Todd* became the first musical hit of the season when the intimate production at Theatre 92 transferred to the small Circle-in-the-Square; the Playwrights Horizon production of Wendy Wasserstein's *The Heidi Chronicles* moved to Broadway and won both Pulitzer and Tony awards. A. R. Gurney's two-handers *Love Letters* got to the Edison on Broadway on the strength of its revolving cast of familiar faces reading the correspondence between lifelong New England upper crust friends.

The survivor of last season, which ended in June, besides *The Heidi Chronicles*, was Jerome Robbins' *Broadway*, a compilation of the director and choreographer's work that was given a Tony as a new musical because it was just about the only one playing when the awards were handed out.

The rise of Hollywood has in no way lowered Broadway's reliance on London. Tom Stoppard's *Artist Descending a Staircase* closed within weeks of its opening but *Shirley Valentine* and *Let Me a Tenor* enjoyed rousing receptions and long runs. Steven Berkoff's 1970s stark production of *Metamorphosis* had a short Broadway run starring Mikhail Baryshnikov. More interesting was Berkoff's *Cymbeline* at the Public, with a Roman populace that looked like rap artists.

The Public Theatre also anticipated the late-season Hollywood flourish with its summer park production of *Twelfth Night*, which was an extension of Joseph Papp's school for getting Hollywood stars to take their acting more seriously. Jeff Goldblum's awkward, scene-stealing Malvolio marked the nadir of a year that would ultimately depend on Hollywood to bring Shakespeare back to Broadway.

Frank Lipsins

ARTS GUIDE

January 5-11

OPERA AND BALLET

London

Royal Opera, Covent Garden. The revival of *Der Freischütz* brings back to Covent Garden the original conductor, Colin Davis, and leading tenor, René Kollo. English National Opera, Coliseum. The 1987 David Pountney magical production of *Hänsel and Gretel*. Further performances of Richard Jones's witty, deadpan, offbeat production of Prokofiev's *Love for Three Oranges*.

Paris

Théâtre de la Ville. The Wim Vanderkylus and Thierry de Mey production is followed by Jean-François Ducroux with his improvisations in *Cosmos Nox* (4876442).

Barcelona

Gran Teatre del Liceu. Lorenzo Mariani's new production of Puccini's *Manon Lescaut* features Mirella Freni and Peter Dinklage, and is conducted by Silvio Varviso (318 92 77).

Milan

Teatro alla Scala. Pier-Luigi Pizzi's production of Verdi's *I Vespri Siciliani*, with Kallin Esperian and Chris Merritt, and Roberto de Simone's version of *Furber's Le Frate Emmanuele*. Both are conducted by Riccardo Muti. Also a much-acclaimed *Osella*. (809126).

Rome

Teatro dell'Opera. Puccini's *Madama Butterfly* is conducted by Daniel Oren. Raina Kabanovska sings the title role. (461753).

Bologna

Teatro Comunale. A highly successful revival of Verdi's *La Traviata* by Claudio Abbado. *Il Cavalletto*, originally done for Covent Garden. (539998).

Pavia

Teatro Regio. Rossini's *La Donna del Lago* conducted by Arnold Oetman, with Daniela Lajolo and Dalmacio Gonzalez, in the Festival production. *Il Trovatore* designed by the architect Gae Aulenti, and Verdi's *La Traviata* with Nelly Miricioiu and Vincenzo La Scala, conducted by Massimo de Bernart (765678).

Berlin

Opera. *Orpheus in der Unterwelt* has fine interpretations by Mena Seefried, Julia Conwell, Barbara Scherler, David Griffith and Hermann Winkler. *Rigoletto* returns with Mario di Marco in the title role. *Il Trovatore* in Herbert von Karajan's production features Sharon Sweet, Ruth Hesse, Franco Bonisolli, George Fortune and Ivan Sardi.

Hamburg

Opera. *Eugen Onegin* is sung in the original language by Olive Friedricks, Katalin Pitti, Daphne Evangelatos, Wolfgang Brendel, Hans Peter Hochwitz and Kurt Möll. *Don Pasquale* is a well-known repertoire performance with Helen Kwon, Paolo Montarsolo, Mikal Melbye and Kurt Streit. *Die Frau ohne Schatten* has a strong cast led by Carmen Reppel, Heide Gendesch, Harald Stamm, Kurt Streit and Yoko Kawahara Stobinski. Also John Neumeier's ballet, danced to music by Mahler.

Cologne

Opera. *La Finta Giardiniera* is sung in the original language by Teresa Ringholz, John la Pierre, James Hall, Andrea Andonian and Daria Brooks. *Die Fledermaus* will now be conducted by Andrew Greenwood.

Frankfurt

Opera. The week starts with William Forsythe's ballet *Parallels*. *Der Zigeunerbaron* is revived with Adalbert Waller, Willy Mueller, Ryszard Erzykowsky, Barbara Fuchs and Soma Cervenka, conducted by Volkmar Oltich. The new *Ariadne auf Naxos* production is sung by Helmut Dörmann outstanding in the title role. Further *Rigoletto* performances.

Stuttgart

Opera. The successful Achim Freyer-Freischütz production returns with Helene Dörmann, Toni Krause and Helmut Berger. *Tuna*, *Andrea Chénier* is conducted by Gian Franco Mastini. *Madama Butterfly* features Keiko Kamegawa, Figen Mammossier, Michael Sylvester. *Figaros Hochzeit* rounds off the week.

New York

Metropolitan Opera. James Levine conducts the first seasonal performance of *Così fan tutte* with Margaret Price, Tatiana Troyanos, Jerry Hadley and Thomas Hampson in Colin Graham's production. Nello Sanza conducts *Turandot*, with Gwyneth Jones in the title role. Her-

mann Michael conducts *Die Fledermaus* with Karen Huffstodt as Rosalinde, Brigitte Fasbender as Prince Orlofsky and Richard Drews as Alfred. James Levine conducts *Wozzeck*. Performances continue of August Eberding's new production of *Der fliegende Holländer*. Lincoln Center Opera House (362 6000).

New York City Ballet. The mixed repertory resumes with performances of *Afternoon of a Faun*, *Dances, Echo, and Movements*. New York State Theatre, Lincoln Center (870 5570).

Washington

Washington Opera. Roman Terlicky's production of *Werther* premieres with Mark Thomson in the title role and Deldra Palmur as Charlotte, conducted by Cal Stewart Kellogg. Performances of *The Merry Wives of Windsor* continue. Eisenhower (467 4600).

Chicago

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosenbain sings Alfred in director Giulio Chazalotte's new production of *Die Fledermaus* conducted by Julius Rudel. Lyric Opera (832 2244).

Tokyo

Ballet. *Nutcracker*: Tokyo Ballet, with Yukari Sato, Naoko Takagishi, Miharu Nagai and Yoshiko Nagahata. Tokyo Bunka Kaikan (725 8888).

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FINANCIAL TIMES

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Tuesday January 9 1990

Adjustments
in the EMS

THE MOVE BY Italy to devalue the lira by 3.7 per cent against the D-Mark and then narrow the fluctuation margin to 2.25 per cent represents a useful piece of tidying up within the European monetary system. The lira is now on a par with the other currencies that are fully within the EMS, except for the Spanish peseta.

These actions can be viewed as steps towards Stage 1 of the path to monetary union set out by the Delors Committee last year. That stage is to start with the abolition of the remaining exchange controls of all member states of the European Community - except Spain, Portugal and Greece - by the beginning of July. Since France has already lifted its controls, Italy is the most important country still to act.

It was sensible to ensure that any depreciation thought necessary would be set in the context of a change in the margins of fluctuation. In a depreciation is not likely to be viewed as a precedent for further depreciations. This is important because preservation of day-to-day exchange rate stability within the EMS might, otherwise, entail a disruptive degree of interest rate volatility in the absence of exchange controls.

Further realignments do not seem essential in the near term, despite the recent strength of the D-Mark. The situation for the longer term looks increasingly problematic, however.

The starting point for any analysis of the future of a given set of currencies is not the size of the capital flows required, but their credibility. Currencies can lift themselves up by their own boot straps. If capital markets believe that exchange rates will be maintained at a given level, they are likely to generate the required capital flow in response to relatively modest interest rate differentials.

Political strains

Credibility erodes as the economic costs of the policies required to maintain a given set of parties rise. Over the three years since the last realignment, the policies required of the full participants in the EMS created mod-

est political strains. The monetary authorities in the peripheral countries have, in practice, been quite happy to follow the Bundesbank.

Happy situation

The question is whether this happy situation is likely to continue. The OECD has forecast a current account surplus of \$71bn for West Germany this year, along with a deficit for the rest of OECD Europe of \$60bn. The threat to exchange rate stability derives from the fact that an increasing proportion of West German capital is, over coming years, likely to be absorbed either at home or in the countries of eastern Europe. The West German current account surplus will tend to decline, at least as a share of gross national product, from the extraordinary level of 5% per cent forecast for 1990.

The Bundesbank is most unlikely to allow the increase in demand for West German resources to generate inflation. With West German monetary policy likely to be tighter than otherwise over a sustained period, the EMS partners will either have to follow the Bundesbank's monetary suit or be forced to accept realignments. The former is the path of exchange rate stability, but it is also a way of making slower growth of demand in the rest of western Europe accommodate increased demand in West Germany and eastern Europe. Conflicts are in the offing.

The recent events in eastern Europe entail a structural economic adjustment of the first importance. The question is whether the countries of western Europe will permit the Bundesbank to impose slower growth of demand upon them, as a way of shifting resources from the west to the east of the continent. They may, instead, be forced to accept the depreciation of their real exchange rate in order to alleviate the domestic economic consequences of the shrinkage of the West German bilateral surpluses with themselves. If so, the issue of nominal exchange rates will return, but in the most difficult possible context: the presence of a strong commitment to exchange rate stability and the absence of exchange controls.

Japan's role
in Europe

FOR A COUNTRY which has been widely criticised for taking too timid a role in world affairs, Japan has responded with uncharacteristic decisiveness to events in eastern Europe. The intriguing question is whether its energetic initiatives there could lead to a broader and more fruitful relationship with western European governments as well.

Mr Toshiki Kaifu, Japan's Prime Minister, clearly intends to use his seven-nation European tour, which begins in Bonn today, to emphasise his country's determination to participate in the economic reconstruction of eastern Europe. This has already been signalled by its participation in the recent multilateral loan package for Poland, and Mr Kaifu is expected to offer further bilateral aid when he visits Warsaw and Budapest.

In part, this forthright approach reflects self-interest. Japan's industries are thinly represented in eastern Europe, and its government wants to ensure that they are better positioned to exploit commercial opportunities there. Mr Kaifu, for his part, has an eye on next month's Japanese general election. With public interest in eastern Europe running strongly in Japan, his visit presumably offers an opportunity to increase his standing at home by projecting himself as an international statesman.

Technology transfer

However, it would be churlish to dismiss Japan's initiatives simply as self-serving gestures. As one of the world's two most important providers of capital, Japan is an excellent position to help provide eastern Europe with the funds it desperately needs. More important still, as representatives of what is many respects the world's most advanced industrial nation, Japanese firms can contribute much to economic reconstruction by way of technology transfer, manufacturing investments and management skills.

None the less, the prospect of an expanded Japanese presence on its doorstep may still arouse alarm in the EC. Some will doubtless argue that in practice Japan's commitment to eastern Europe will be lim-

ited to purchases of raw materials and the establishment of "screwdriver" plants, which take advantage of low labour costs to under-cut western industry without putting much back into local economies.

However, that view may under-estimate the lesson Japan has learned from the failure of its attempts to establish an industrial base in China. That experience painfully underlined the dangers of concentrating narrowly on commercial opportunities in undeveloped foreign markets, to the exclusion of the wider political and social environment. Mr Kaifu's explicit support for eastern Europe's reform movements suggests an awareness that Japan needs to broaden its interpretation of self-interest, by identifying itself more wholeheartedly with the welfare of countries in which it has an economic stake.

Policy test

The test of its policy towards eastern Europe will lie in its ability to forge links which contain a substantial political dimension. That may be difficult, given Japan's geographic remoteness and diplomatic inexperience. Furthermore, most eastern European countries' partner of choice is likely to remain the EC, whose prosperity and political and social values inspired their revulsion against totalitarianism.

Hence, logic would suggest that in the longer term Japan can best play a positive role in eastern Europe by concerning its efforts closely with those of the Community. That will require a radical change in the mistrustful relationship between Japan and the EC, which has long consisted largely of ill-tempered exchanges of a narrow range of trade matters.

That is no way for two of the world's leading economic powers to conduct their affairs, and contrasts with recent US efforts to upgrade relations with the Community. If Mr Kaifu's visit succeeds in laying the basis for a more mature and constructive dialogue, it will have contributed not only to eastern Europe but also to a long overdue improvement in co-operation in the industrialised world.

For more than a decade, many of the world's shipowners have given little thought to anything more ambitious than survival. Many have not made it, among them famous names such as US Lines and Norway's Reksen group. Others, such as Sanko Steamship in Japan, and the Hong Kong giants Orient Overseas Holdings and Wah Kwong Shipping, survived only after painful restructuring.

Now things are changing. Most of those who stay in business believe the worst is over, largely on the evidence of a gently rising trend in freight rates over the last three years, combined with optimistic forecasts for oil consumption and world trade. "There is light at the end of a long tunnel," says Mr Hans-Jakob Kruse, chairman of Hapag-Lloyd, the biggest West German shipowner.

Shipowners have had their first chance in years to assess their general financial health. That reveals the industry's other big problem: how to raise up to \$20bn a year for the next 10 years to replace its main asset - the ageing world fleet.

The industry's problems date back to the oil price shock of 1973, which followed a boom in speculative orders for a new breed of super-tankers. The demand for crude oil was stimulated by prices as low as \$8 per barrel. The upward trend has continued in spite of the reactivation of laid-up tankers, and has spread to the dry bulk and container sectors. According to Fearnleys, the Norwegian shipbrokers, the effective daily rate for an average VLCC has improved from around \$9,000 in 1987 to around \$18,000 last month (although the 1989 average was only just over \$13,000). But even the December rate is still not enough to finance replacement costs and a reasonable return on capital. Dr Martin Stopford, senior shipping economist at Chase Manhattan Bank, estimates that this would require a daily rate of around \$29,000, which is still far from being achieved.

The fleet of the world's shipping companies, which has been much greater at times during the past 15 years, has been replaced by new ships being ordered, in spite of the cheap credit offered by many shipbuilders, often backed by government subsidies. As a result, the average age of the world fleet has been increasing rapidly. According to Lloyd's Register of Shipping, the London-based ship inspection organisation, the average age of vessels which are less than 10 years old has fallen from 62 per cent to 36 per cent in a decade. Almost three-quarters of the world tanker fleet is more than 10 years old, and the average age is around 14 years. Since the normal lifespan of a ship is usually calculated at 20 years, this means that a large proportion of the world fleet of ships requiring replacement during the 1990s simply to maintain the existing capacity, and without taking into account the need for extra tonnage to cope with increased oil consumption and trade.

Not replacing this tonnage would be unthinkable - around 98 per cent of world trade by volume, and about 80 per cent by value, is carried by sea, and very little of it could be transferred to air. Renovation work could extend the life of ships by up to five years, but that is controversial for safety and environmental reasons.

The major private shipping groups have so far shown little inclination to go down this road, although American President, Gotsas-Larsen and OMI Corporation have raised cash through the sale of convertible preferred stock or subordinated notes in New York, and there have been successful share offerings by Carnival Cruise Lines

Kevin Brown reports that the world shipping industry, now emerging from financial straits, faces the problem of replacing the bulk of its fleet

Coming to
terms with
the ageing
process

sons, and would only postpone the day of reckoning, not avoid it.

The precise cost of fleet renewal will depend on what happens to world trade and whether oil consumption - mostly supplied via the long haul shipping routes from the Middle East to Europe, North America and Japan - increases by around 1 per cent a year as forecast. But most forecasts put the cost of replacement between \$12bn and \$20bn a year for 10 years. Where is the money to come from?

Many banks were badly hurt during the long recession, and as one financier points out, shipping has "a banking popularity second only to Third World debt." Even if the banks were prepared to finance the investment through ship mortgages, there is a growing body of opinion which believes that this would simply perpetuate the industry's problems.

The International Maritime Industries Forum suggested in a recent report on the financing of the industry that the core of the problem lay in the reluctance of most shipowners to accept outside equity capital because of the fear of losing control of their companies. Despite the size of the industry and its importance to the global economy, shipping stocks account for less than 1 per cent of the capitalisation of most stock markets.

The percentage of vessels which are less than 10 years old has fallen from 62 per cent to 36 per cent in a decade

The effect of this has been to force the highly capital intensive shipping industry to accept levels of debt well above that considered prudent in most other mature industries.

A ratio of 50 per cent of senior debt to total capital is regarded as conservative in shipping, and 80 per cent is common. The combination of very high debt and volatile revenues has inevitably led to financial instability. The obvious way to overcome this problem is to increase the ratio of equity to total capital by attracting outside investors.

The major private shipping groups have so far shown little inclination to go down this road, although American President, Gotsas-Larsen and OMI Corporation have raised cash through the sale of convertible preferred stock or subordinated notes in New York, and there have been successful share offerings by Carnival Cruise Lines

and Stolt Tankers and Terminals. However, most of the attempts to attract equity have fallen into two other categories:

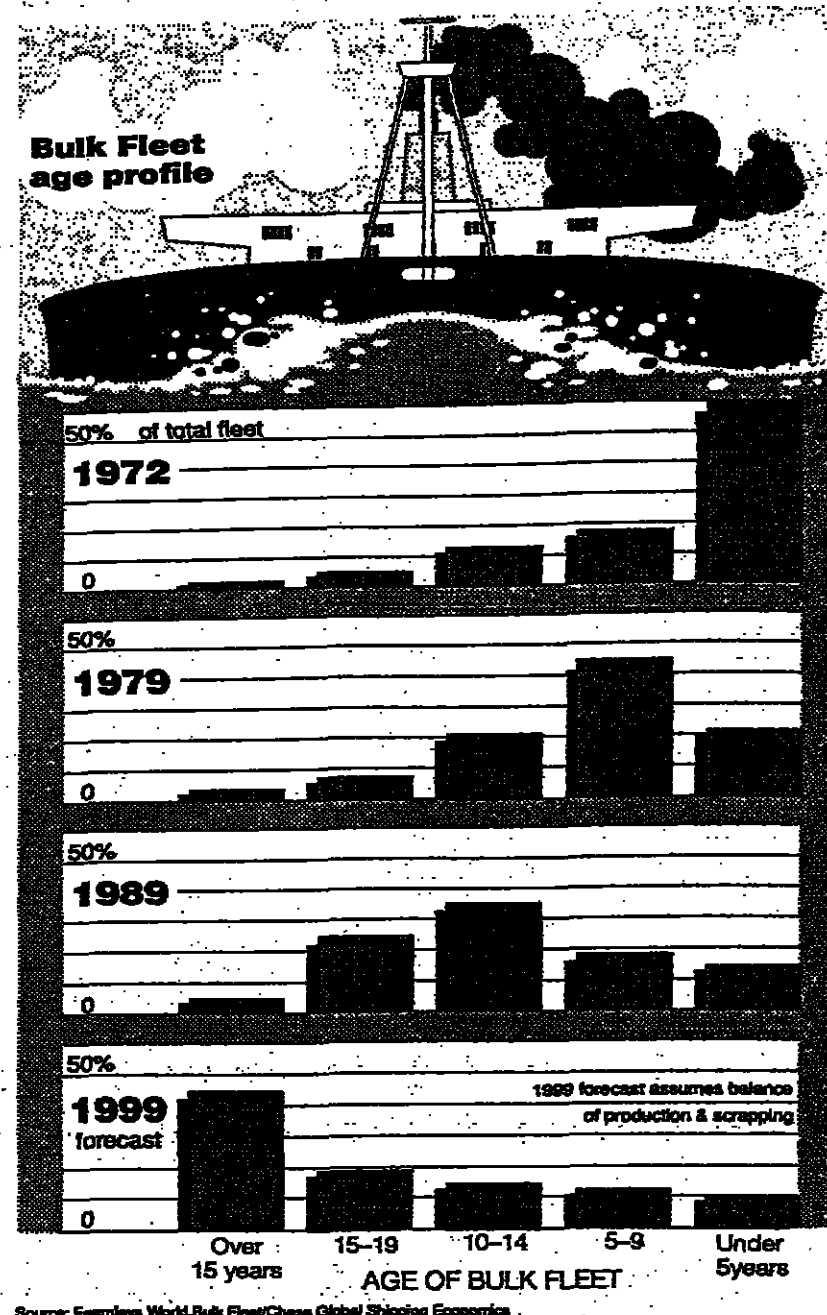
● Asset funds. These offer investors the chance to make capital profits on second hand ships, whose value tends to rise as freight rates go up. Generally, they either ignore operating revenue or treat it as incidental. Some have been very successful, including Anangel-American Shipholdings, quoted in Luxembourg and the New York Nasdaq exchange; B + H Bulk Carriers, quoted in New York, and Bulk Transport, formerly quoted in Luxembourg, but recently taken over by Bergen, the Norwegian shipping group.

Mr Peter Stokes, managing director of Maritime Consultants, and a founder of Bulk Transport, says the common factor for these three companies was that they initially purchased at the bottom of the market, when ships in reasonably good condition could be bought for little more than their scrap value. The price paid for Bulk Transport by Bergen represented a compound annual return to the original investors of 45 per cent.

Many other asset funds have been launched in the last couple of years, mostly in New York, and mostly with a built in "closing date" when the so-called K/S partnerships in Norway. Mr Anders Ingebrigtsen, senior vice-president of Norway's Christiana Bank, recently estimated that K/S partnerships had raised \$1.1bn from non-shipping sources.

Like the asset funds, however, partnership funds have tended to concentrate on profits in the second-hand market. They are unlikely to be able to provide capital on the scale needed for worldwide fleet renewal. In addition to these two sources of finance, there has been an influx of money into shipping from outside sources, beginning with the purchase of tankers by Loews Corporation of the US, and followed by the purchase of Gotsas-Larsen for \$670m by the Barclay brothers of the UK; and a joint venture between Anders Wilhelmsen of Norway and the US Fritzsche family to acquire Royal Admiral Cruises for \$300m.

All these developments indicate that equity capital is available for shipping, in the right circumstances. But the key to raising the huge amounts of capital required for fleet replacement will be profitability, and that depends on improved freight rates. Dr Stopford calculates that the freight rate for a VLCC to repay its capital will rise to between \$40,000 and \$50,000 by the end of the 1990s, based on a forecast for inflation in



Source: Fearnleys World Bulk Fleet/Chase Global Shipping Economics

attract small investors by offering significant tax advantages. Denmark and West Germany, with its so-called "doctors and dentists" funds, have developed such partnerships, but the largest source of capital has been the so-called K/S partnerships in Norway.

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The national
lampoon

Mr Francis Fukuyama is about to become quite a rich State Department official, since he is rumoured to have been paid anything from \$250,000 to \$800,000 for the book rights to his much-discussed article on the End of History. Meanwhile Mr Richard LeDever, a Washington schoolteacher, has been circulating a brief history of the world compiled from local high school and junior college examination answers, now published in the Washington Times. It suggests that the end comes not a moment too soon.

We start with the Renaissance, which "was an age of great inventions and discoveries... Gutenberg invented the Bible. Another important invention was the circulation of the blood. Martin Luther was nailed to a church door for selling papal indulgences. He died a horrible death, being excommunicated by a bull. During the Renaissance America began... discovered by Christopher Columbus while cursing about the Atlantic. Sir Francis Drake circumscribed the world with a 100-foot clipper."

British history: "The government of England was a limited monarchy. Henry VIII found walking difficult because of an abscess on his knee. The greatest writer was William Shakespeare. He never made much money. He lived at Windsor with his merry wives, writing tragedies, comedies and errors. The sun never set on the British empire because the British empire is in the East."

American history: "George Washington married Martha Curtis, and in due time became the Father of our Country... Abraham Lincoln's mother died in infancy, and he was born in a log cabin which he built with his own hands. As President, he wore only a tall silk hat. He emancipated the slaves. On April 14

OBSERVER

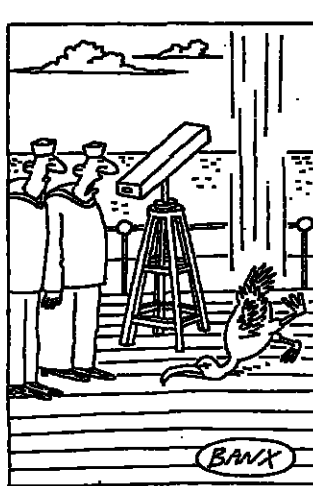
1865 he went to the theatre and got shot in his seat by one of the actors in a moving picture show. The believed assassin was John Wilkes Booth... this ruined Booth's career."

The industrial revolution: "The invention of the steamboat caused a network of rivers to spring up. Cyrus McCormick invented the McCormick reaper, which did the work of a hundred men. Louis Pasteur discovered a cure for rabies. Madman Curie discovered radium, and Karl Marx became one of the Marx Brothers." Which is where Mr Fukuyama came in.

Black humour

We might as well continue in the same vein with another one. An Englishman, a Frenchman and a Russian, in the pursuit of happiness, empty the bottle and discover the genie. Asked a wish, the Englishman declares that he wants a nice bowl of soup on the White Cliffs of Dover exactly like his neighbour, John. The Frenchman typically, is less interested in equality. He requests a villa in the south of France overlooking the sea just a little bit better than his neighbour, Jacques. The Russian's ambitions are modest. "My neighbour," he says, "has a pig. I want you to kill it."

Close observers of the genre will have deduced that this is a Russian joke (it was told in Leningrad last week). This column is not sure if it is funny, but thinks it is not as good as the early glasnost tale, unfortunately not repeatable in full here, but available on request, about Andropov, Stalin, Krushchev and Bardot. It perhaps lacks the political sophistication and cynicism of a reader's suggestion: that any country in eastern Europe wanting to carry democracy and powersharing to a logical



"What's the curse for blinding an albatross?"

conclusion might consider renaming itself Warholia, with each president to govern for 15 minutes.

Jokes jokes

Still, public humour is blooming all over eastern Europe, nowhere more rapidly than in Czechoslovakia. This is as it should be because Czechs themselves have long been the butt of Polish humour, just as the Poles used to be on the receiving end of every body else's before Wales. However, most of that evident on the walls of Prague is still internally directed.

As Havel's election for president became probable, the posters depicting him in open necked shirt and sweater were replaced by new ones with him wearing a jacket and tie. Like a good politician, he strode the middle ground - a smart black overcoat but trousers distinctly on the short side.

At the same time, the sharply satirical invective against the Communist Party leaders was gradually replaced

by gentle boasting of success: a cartoon showing a teacher and pupils in a classroom appeared with the inscription: "Miss, you don't have to lie to us any more."

When the hardliners, headed by Jakes, were expelled from the Communist Party, a poster appeared in the underground: "We demand the re-instatement of Jakes and Co to party membership - we do not want them among the ordinary citizens."

Another cartoon about the elections to be held later this year, shows a man holding a severed hand above his head, saying: "We don't need other people's hands to vote for us."

Uplifting

There has, of course, been a long history of fine satire in South Africa. This had not conspicuously penetrated the governing classes. Botha, Vorster and Verwoerd were not known for glittering wit.

Nor has been F W de Klerk, the new President, hard though he has been working to give the country's image a facelift. Few had realised how literally, and indeed personally, he was taking his task until the weekend disclosure that, in the interests of the "new South Africa," his wife, the First Lady, has had her permanently unhappy expression removed surgically, on the advice of the "experts."

possibly the same people who have evidently persuaded her husband that he should not be photographed drinking or smoking. She said the furrow in her brow was the result of extreme sensitivity to light, which caused her habitually to screw up her eyes in avoidance. "It was not my intention to improve my looks or to rejuvenate my appearance," she insisted. "It was not a facelift. When it comes to new South Africa, every bit helps."

Jurek Martin



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British Rail privatisation

Removing the politicians from the driver's seat

By David Sawers

British Rail has been a plaything of politicians in the 40 years that it has been in public ownership, and their intervention in its affairs provides the strongest argument for the privatisation of the railways.

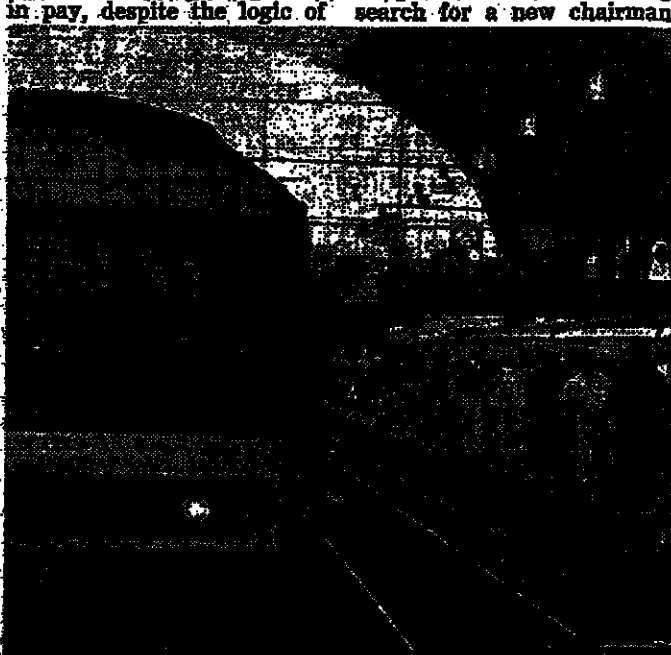
The most common concern of politicians has been to keep down fares and pay while avoiding the closure of the less economic lines. These concerns have become no weaker. Even now that BR has been given more commercial objectives for its operations, politicians may veto its attempt to fulfil them by increasing fares or pay.

The managers of BR must envy the relative certainty about Government control and freedom of commercial decisions which the privatised monopolies, British Telecom, British Gas, and British Airways, now possess with their independent regulators. These industries know how much they can increase their charges every year, and that their regulating agencies will descend heavily upon them if their charges discriminate unfairly on some groups of users, or if the quality of their services deteriorates.

British Rail's managers may operate under a system that is nominally similar, in that they have financial targets and the Government has accepted its corporate plan, in which increases in fares are forecast and standards of service are set. But ministers are still liable to step in if they think an increase will upset too many voters, or to interfere in pay negotiations if they want to persist with their "income policy" of limiting public sector pay rises. The quality standards have also proved less effective than travellers would wish; investment is needed to reduce overcrowding, but such expenditure has to be approved by the Government, and the few suppliers of rolling stock have been unable to increase output quickly. The position of British Rail cannot change for the better until it is taken out of the public sector. The strongest argument for privatisation is that it would remove the railways from the direct control of the politicians, who will inevitably

subject BR's management to their short-term political compulsions. These interventions inhibit the effective management of the railway system, and have been responsible for many of BR's problems.

The preoccupation with low costs based on low pay has inevitably lowered the quality of BR's staff, especially in the prosperous south east where the busy services require the ablest employees. Government cannot be blamed for all the regional staffing problems because the railway unions have opposed all attempts to introduce regional variations in pay, despite the logic of



London's Paddington station; long wait for a reliable service

such differences.

The effects of low pay were well illustrated in the report on the crash at Clapham, where technicians were revealed to have been working seven days a week and without adequate supervision because there were not enough skilled employees to do the work. No business can be run efficiently and safely on such a basis; all the fine words about higher safety standards will be meaningless until BR pays its staff enough to obtain a sufficient number of competent people to run the railway without excessive

overtime. At present, as travellers in south-east England know, BR is not paying enough to obtain the staff, especially the technical staff, it needs to run a reliable service. Higher pay will be needed nationally for technical employees and locally for all employees if BR is to operate a high-grade service.

The problem of quality is not limited to operating staff and technicians; it also affects managers. Decades in which managers have been poorly paid and been the butt of jokes have weakened BR's ability to recruit able staff, as the long search for a new chairman

has worked for foreign railways, the few suppliers to BR, and the Government. The latter has proved the main source of senior managers, in a manner more familiar in France than in Britain.

The long-term solution depends upon recruiting better trainees, especially engineers, from school and university, which requires pay, prospects and reputations comparable with those of private sector businesses. One of the many tasks for the new chairman and chief executive will be to improve the image of BR among the brighter graduates of British universities, until they regard BR as an attractive alternative to a merchant bank. Such an improvement in BR's image may now seem improbable, but would be more easily produced if BR was out of Government control.

The need for greater independence and the continuing improvement in BR's finances make privatisation both more desirable and more achievable. The corporate plan suggests that the InterCity services could soon be earning a commercial return on assets, and that the services around London and south-east England could soon break even, if the Government permits the required increases in fares.

Privatisation could take BR out of the political arena, despite the Labour Party's opposition to this course. If privatisation provides BR with clear objectives, financial independence of Government for the majority of its services and a strong independent regulator, it would reduce the need and scope for Government intervention in its affairs. Faced with the realities of power and budgeting, a Labour Government might well accept such a situation and leave BR its independence. Privatisation might therefore provide a means of restoring a bipartisan policy towards BR, in practice until the present Government began reducing BR's subsidy - even though it has been applying the policies of Labour's own discussion paper on transport policy of 1976.

The author is an economic consultant.

FOREIGN AFFAIRS

Romanian goose, Iraqi gander

Edward Mortimer asks whether human rights are the exclusive birthright of Europeans

Many Moslems would argue that Islam is no less compatible with democracy and human rights than is Christianity. Others say that these concepts are western imports which must be rejected because they detract from the absolute sovereignty of God and His Law, as revealed in the Koran. It is this latter school of thought, to a greater or lesser degree encouraged by the revolution in Iran, that tends to be in the forefront of opposition to Arab regimes.

One of the reasons why, so far, this school of thought has had an easy time of it is that the West seldom acts or even speaks as if it believed that human rights and democracy, although supposedly "universal" values, were applicable in

the Arab world. The Leader-President, the Leader-Struggler, whose painted cutout figure, often fluorescent, towers over the entrance to every Iraqi village, Ceausescu began a programme of destroying villages in the supposed interests of efficiency. Saddam has destroyed hundreds in the supposed interests of security. Former colleagues and subordinates of Ceausescu who had disagreed with him, and in some cases signed open letters criticising his policies, emerged during the revolution from house arrest or internal exile to organise the new regime. But ministers and party colleagues who fall out with Saddam are usually executed within hours.

Ceausescu instituted an

Perhaps only a handful of Arab intellectuals ever judged their freedom by European standards

practice to that section of the human race which speaks Arabic and/or professes Islam. This double standard is particularly flagrant in Iraq's case.

Nicolae Ceausescu was an enlightened ruler and a man of exemplary modesty by comparison with Saddam Hussein, president of the Republic of Iraq, commander in chief of the armed forces, chairman of the Revolutionary Command Council, general secretary of the Regional Command of the Arab Baath Socialist Party, chairman of the Supreme Agricultural Council, chairman of the Supreme Council for the Compulsory Eradication of Illiteracy, knight of the Arab nation, hero of national liberation, the new Nebuchadnezzar, the daring and aggressive

omnipresent and deeply feared security police, and ordered it to fire on the crowds in a last desperate attempt to save his regime. But in Iraq for the last 20 years of Baathist rule the whole population has been forced to live in fear of arbitrary arrest and torture. The bodies of executed people are returned to their relatives in sealed coffins, for which they have to pay but which they are not allowed to open. The whole system of government is described and analysed in a chilling book published last year under the apt title *Republic of Fear*, by an Iraqi expatriate scholar using the pseudonym Samir al-Khalil. But many of the abuses have also been documented by Amnesty International, which last year

published a special report on the way that children in Iraq have often been arrested, tortured, and even executed, as a way of putting pressure on their relatives.

Ceausescu did his best to isolate his country and its people. Saddam Hussein waged aggressive war, causing the deaths of hundreds of thousands of Iraqis and Iranians. He used chemical weapons, both against the Iranian enemy and against his own Kurdish subjects. He has developed long-range ballistic missiles, acquiring control of Western companies with expertise in militarily useful technology, and subverting Western banking regulations to overcome restrictions on credit. His megalomania is a threat to all his neighbours, and to world peace. But through fear, complacency, or *raison d'Etat* the rest of the world treats him as a legitimate head of state and a good man to do business with. His hostility to Iran, like Ceausescu's independence from Moscow, has won him undeserved favour in the West.

Unlike Ceausescu he has not yet been given a knighthood or invited to stay at Buckingham Palace. But British ministers visit Baghdad to offer government-backed commercial credit, and British arms manufacturers throng to the Baghdad trade fair. No minister publicly urges the Iraqi armed forces to overthrow the regime, as Mr William Waldegrave did those of Romania; still less has Mr Waldegrave designated the British embassy in Baghdad a source of support for the opposition, as he did in Bucharest. On the contrary, Iraqi opposition leaders who reach this country are firmly refused appointments even with junior officials, on varying pretexts - the latest being that contact with them might adversely affect the fate of Mrs Daphne Parish, a British nurse, and Mr Farzad Bazoft, a London-based journalist, who were arrested in Iraq last September after Mr Bazoft, in Iraq at the government's invitation, had tried to investigate an explosion at an Iraqi military-industrial complex where hundreds of workers were said to have died.

Which amounts to saying that foreign governments, if they wish to deter Britain from maintaining contact with the opponents, can do so by arresting British subjects and holding them hostage. Would it not be preferable to admit now that Saddam's regime is an abomination, and that any Iraqi brave enough to struggle against it deserves at least our moral support?

*Hutchinson Radius £18.95.

LETTERS

The best hope for UK unemployment

From Alan Carruth and Andrew Oswald

Sir, Your editorial of December 18 ("Pay, Prices and Jobs") hit two nails on the head.

First, you recognise that productivity-related pay is often bad for the economy and that having a going rate of pay typically is good for it. Most policy makers, and some bargainers, apparently believe the reverse. They are wrong. Imagine that a widget-making factory experiences, through an invention, a doubling of productivity. Should their labourers, accountants and lathe operators have their pay doubled? No. Economic efficiency requires that

people in equivalent jobs across different industrial sectors not experiencing technical wednesday gains should, in a growing economy, get the same rate of pay increase as elsewhere. Those who rail against a going rate of wage rises are preaching economic inefficiency.

Second, wage inflation is set to rise through 1990. But we expect that in 1991 your necessary "strong downward pressure" will begin. Our research suggests that three influences on pay movements are crucial - profits, house prices and unemployment. The first will soon fall fast; the second has

already done so. Lower unemployment will work against the resulting downward forces on wages, through current macroeconomic policy may lead to a rise in joblessness in 1991.

Britain's best hope is that falls in profits and house prices will dampen pay pressure enough to make unnecessary a large rise in unemployment. But sanguine we are not. Alan Carruth (Kent, UK), Andrew Oswald (Dartmouth, USA), *Keynes College, The University, Canterbury, Kent*

Help for the new Poland

From Henry Owen

Sir, Your editorial ("How to help Poland" - December 28) manages the seemingly difficult task of addressing this subject without once mentioning the principal source of that aid. The annual loans to Poland projected by the World Bank add up to more aid than is now pledged to Poland by any other country or institution. A close second is the International Monetary Fund's projected aid.

Provision of these two types of aid depends on action by the industrial countries to replenish these Bretton Woods institutions in 1990. Henry Owen, *21 Chesham, Breton Woods Committee, 1616 H Street, NW, Washington, DC*

Life in a kiosk

From Mark Chaplin

Sir, Mr Bob Cooper (Letters, January 3) paints an idyllic picture of extensive livestock rearing, which may be true of certain farms in Cumbria. However, many animals are reared intensively in very different conditions.

The minimum space required for each hen in a battery cage is smaller than a piece of A4 paper, and in human terms is roughly equivalent to life in a phone kiosk.

Mark Chaplin, *Oakley Court, Mill Road, Royston, Herts*

ECGD plea

From Viscount Caldecote

Sir, You reported recently that the Government intends to raise the premiums payable to the Export Credits Guarantee Department Project Group for insurance of capital goods exports. British manufacturing industry has great expertise in tendering for major capital projects, but the risks are often high and tough competition prevents big margins and potential rewards commensurate with the risks.

It is surely crazy for ECGD to increase premiums and so discourage growth in this field. There much to be said for the Government taking a substantial share of such risks on behalf and in the interests of us all. Caldecote, *House of Lords, Westminster*

BR finds a champion

From Dr C.G. Hyde

Sir, Imagine my surprise having decided to record a full year's commuting times on British Rail to demonstrate the unacceptable delays, I found the reverse! At this point I should emphasise that I am neither in the pay of BR nor, at this stage, do I intend investing in its eventual privatisation.

Of course, Paddock Wood-London (scheduled journey time 47 minutes) can hardly be taken as the accepted median journey within the UK, but it can, perhaps, be taken as typical of Network SouthEast. In any event, I found that of my 424 trips last year (363 hours spent on trains), 41 per cent arrived on time (within one minute), 36 per cent within five minutes (BR's accepted "on

time" I believe), 17 per cent less than 15 minutes late and 6 per cent later than this. The average delay was 4.3 minutes (34 minutes if the 10 journeys which were delayed by more than 25 minutes are excluded).

Although there is clearly room for improvement, the picture is far from hopeless. Over 40 per cent of the delays occurred in the final quarter of the year, mainly from problems which should not be beyond the wit of man to solve (frozen pipes and the dreaded "square wheels" of autumn). Meanwhile, my annual average delay of 9 per cent seems tolerable.

C.G. Hyde, *Upper Fovle Hall, Queen Street, Paddock Wood, Tonbridge, Kent*

Panamanian democracy: the rights and wrongs of intervention

From Mr D.L. Bethlehem

Sir, Justinian's opposition (January 2) to the view put forward by the Director of the Cambridge Research Centre for International Law that the US acted within the law in intervening in Panama, "in support of the democratic process" ignores the essence of the argument. This is stated by the proposition that, at the invitation of the legitimate authority in the state concerned, a third state may lawfully intervene in support of the right of the people to determine their own political destiny.

This view gains a measure of support from the judgment of the International Court in the case of Nicaragua v US where

the court indicated that a prohibited intervention was one which was coercive of the free choice of political, economic, social and cultural system by the state concerned. The implication is that while intervention to stifle free choice is unlawful, intervention for the purpose of safeguarding that choice may be legitimate.

In the Panamanian context, fair elections, won by Mr Endara and subsequently annulled by General Noriega, constituted a denial of the right of the people to choose freely their political and economic system. The request by Endara for US support satisfies the requirement for an invitation by the legitimate author-

ity of the state concerned.

As with any doctrine licensing the use of force, some danger for international stability is apparent. The question is whether that danger can be adequately contained by clear legal principle and whether, in the light of those principles, the potential cost is acceptable to the international community, given the benefit to be achieved. The answer must in both cases, I believe, be in the affirmative.

Four other propositions can be drawn from both good sense and related areas of the law:

● that no other avenue is available under the law to the deprived people;

● that the use of force is a

measure of last resort; ● that the use of force does not exceed the wrong it is designed to remedy and that it is sought to achieve;

● that the use of force is limited in its objectives in both scope and time.

The intervention in Panama would, I suggest, meet these conditions, as would have, prima facie, any intervention by the Soviet Union in Romania in recent weeks. Conversely, the Suez intervention or the Soviet intervention in Czechoslovakia in 1968 would be categorised as unlawful.

D.L. Bethlehem, *Queen's College, Cambridge*



PETROECUADOR

PETROLEOS DEL ECUADOR

INTERNATIONAL OIL TENDER

SIXTH ROUND BIDS FOR SERVICE CONTRACTS IN EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN THE REPUBLIC OF ECUADOR.

Petroleos del Ecuador (PETROECUADOR) duly authorized by the special bidding committee invites national or foreign, state or private companies, associations or consortiums to participate in the following special bids:

Amazon region: - Special bid numbers: 001-CEL-89 for Block No.18, 002-CEL-89 for Block No.19, 003-CEL-89 for Block No.21, 004-CEL-89 for Block No.22.

Coastal region (On Shore) - Special bids number 005-CEL-89 for Block No.4, 006-CEL-89 for Block No.5 & 007-CEL-89 for Block No.11.

Each of the above mentioned blocks has an area of approximately two hundred thousand hectares.

Corresponding legal documents, contractual basic provisions, contract proforma, general instructions for bidders, formats, instructions for awarding contracts, instructions for evaluating bids, an example of application of the aforesaid evaluation for selecting - the best bid, technical and economical requirements and information for each region will be delivered to interested companies starting January 10, 1990 by PETROECUADOR'S Petroleum Contracting Unit, UCP at the following address: Calle Inacapti y Juan Pablo Sanz s/n, Edificio Camara de la Construcción, P.O. Box 5007 or 5008, Quito - Ecuador, Telex 22861 CEPE ED, Telephones 440-961, 440-962, 440-963, upon payment of the non refundable fee of sixty thousand U.S. dollars (US \$ 60,000.00) with a check certified or issued by a bank established in Ecuador, for each region: Amazon or Coastal. This non refundable fee will be deposited at PETROECUADOR's treasury office located in the first floor of PETROECUADOR's main office building at Alapallana and 6 de Diciembre, Quito-Ecuador.

A study made by BEICIP on the hydrocarbons potential of the southern part of the Orient Esas (Ecuador) is available at the cost of twenty five thousand U.S. dollars (US \$ 25,000.00).

Bids will be received at the secretariat of the special bidding committee located on the 9th floor of PETROECUADOR's building at Alapallana and 6 de Diciembre, Quito until 17:00 hours, Friday April 13, 1990.

Ing. Luis A. Roman Lazo
EXECUTIVE PRESIDENT
PETROLEOS DEL ECUADOR
SECRETARY OF THE SPECIAL BIDDING COMMITTEE

Comecon ministers face double trouble

John Lloyd sees today's Sofia meeting as vital to the trading partnership's future

THE meeting of Comecon premiers and other ministers in Sofia, Bulgaria, due to begin today, may be among the most significant of its four decades. It certainly should be.

For the organisation faces two sets of interlocking crises: a technical and efficiency one and a political and ideological one.

The first is well known over the past decade. Declining technological standards and productivity rates huge indebtedness in Poland and Hungary and, more recently, the Soviet Union, and large surpluses denominated in the unusable "convertible" rouble by Czechoslovakia, Hungary and Yugoslavia (an associate member) against the Soviet Union have caused increasing strains.

So too, has the relative backwardness of the non-European members - Cuba, Mongolia, Vietnam; and the inexorable decay of the five-year planning process in all of these countries.

A large, and relatively unexamined, cause of the last of these factors is one to which Mr Vaclav Klaus, the Czechoslovak Finance Minister, referred in an article published in the Financial Times last month: the slipping of control from the formerly all-powerful central planners to the enterprises, as the latter sought to exert leverage over the centre and to construct their own network of relationships.

The economies, thus, are not so much centrally planned as centrally stifled; and so efforts to plan trans-nationally have tended simply to raise the problems to higher levels, even as the official gloss on Comecon's activities was that it had adopted a strategy of accel-

WORLD TRADE: volume changes, 1986-89 (Percentage change from previous year)

	1986	1987	1988	Jan-June 1989
EXPORTS				
Developed market economies	1.4	5.4	8.0	10.0
Developing countries	8.9	11.1	11.0	6.5
European centrally planned economies	5.1	2.3	4.4	-1.3
Eastern Europe	0.3	1.2	3.9	-1.2
Soviet Union	10.0	3.3	4.8	-1.5
Total above	3.8	6.5	8.4	8.1
IMPORTS				
Developed market economies	2.2	6.5	7.8	8.9
Developing countries	-4.4	5.7	10.2	8.4
European centrally planned economies	-0.3	0.2	3.5	1.2
Eastern Europe	5.3	1.8	3.0	-0.1
Soviet Union	-6.0	-1.6	4.0	2.7
Total above	4.7	5.8	8.0	8.1

Sources: UN Economic Commission for Europe, Vol 41, October 1989

erating the integration of the economies.

The second crisis has matured only in the past few months, and will lend the meeting a particularly urgent character.

In all the European members with the partial exception of today's host - Bulgaria - Communist administrations have been replaced in the past half-year by Governments whose majority may still be formally Communist, but whose ideological orientation, varies between mildly social democratic and neo-liberal.

Therefore, while the formal agenda is composed of the imminent integration of the five year plans the matter of price formation in Comecon and the period within which prices must be set will only be tangentially related to it.

All of the countries want "deep structural changes," - but for some, this is a thin

supernumerary for wanting Comecon to wither away, sooner or later.

Mr Klaus, in an interview with a Warsaw paper last week, was quoted as calling for the end of the system: a call he later denied.

But whether he made the call or not, he and his government colleagues believe Comecon to be unworkable: a view shared by the Hungarians and the Poles.

The position of the Romanians and the East Germans is less clear: they have put the sharpest brakes on the system's reformers until now (and since it works on the basis of unanimity, they have succeeded), and they will not now play that role.

But Romania at least will be terribly dependent on Soviet energy supplies, and unlikely to be in the van of reform: while East Germany's economic and political fate will be

more than it depends on them. All of the European members, the Soviet Union included, want to skew their economies towards the West, but the Soviet planners, while expressing sympathy, say that it must be done bit by bit, adding that if it is done individually and precipitously, the Soviet Union is in a better position to look after itself than the rest.

Second, the plans to put an increasing amount of trade on a hard currency basis, cautiously endorsed by the Soviet premier Mr Mikhail Gorbachev in the Congress of People's Deputies last month, will not initially have much effect, because most Comecon trade is on a government-to-government, barter basis.

It will matter as the enterprises start trading with each other: but when they are released to do that, they would do as well to trade with the West in monetary terms and better to trade with the West in terms of technology.

The emerging Soviet line is that hard currency payments should be permitted but not prescribed.

The more radical states, however, are impatient. The inventive Hungarian Foreign Ministry is now looking at the possibility of a free trade area linking Hungary with Poland, Czechoslovakia, Romania and Yugoslavia, while strengthening links with European Free Trade Association (EFTA) and the European Community.

How far this pent-up desire for change will flow out in Sofia cannot yet be known - but it will at least mark a start.

Problems threaten session, Page 5

so closely bound up with West Germany as to reduce its effectiveness within Comecon.

Bulgaria's "deep perestroika" has only just begun, and it is not yet likely to break the habit of deference to all things Soviet - the more so since it has just got back into step.

The three developing country members are in a weak, even a supplicant position. Heavily dependent on Soviet aid in the cases of Cuba and Vietnam, their exports mainly agricultural or human they are in no position to innovate or prosper.

The Soviet Union, the dominant member, is therefore surrounded by states which are at best sceptical of the benefits of its creation - as it is itself.

But there are two reasons why it is unlikely to see it melt away in Sofia this week.

First, the European states depend on the Soviet Union

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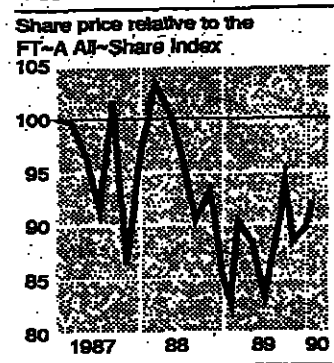
Dixons find a store of value

True to form, Dixons' full-year forecast raises as many arguments as it settles. On Dixons' version, the Kingfisher offer of 120p represents less than 11 times this year's earnings. Strip out exceptional and non-recurring items, and Kingfisher arrives at a multiple of 20. This is more strictly correct, but may not be relevant. The spare £10m which Dixons has discovered in its warrant business, for example, represents real cash to be paid out in higher dividends. It can also be repeated - with luck - for another couple of years, by which time the electricals market should be out of the trough.

Coincidentally, the unexpectedly good Christmas for the retail trade and the market's new-found optimism about the UK economy may be working Dixons' way. While the mood lasts, the share price might be sustainable at about 100p in its own right. This may not leave the fund manager much incentive to accept a final offer around the present level of 130p, rather than sit it out in hopes of an upturn in trading.

Conversely, it is not clear that Kingfisher would be justified in paying much more. Its emphasis on the target's short-comings rather than its own plans confirms the suspicion that it might be pushed to perform better than the present management. Doubtless, an important part of the strategy is to exploit market dominance by pushing prices up. This will scarcely appeal to the Office of Fair Trading but the risk is that Kingfisher might succeed in convincing the OFT that the market will stay competitive, only to find it so in fact.

Tomkins



resisting a realignment are likely to suffer increasing balance-of-payments problems, especially as US, Japanese and UK exporters take advantage of the EMS bloc's strength. If trade pressure fails, a judicious half-point rise in interest rates by the Bundesbank could do the trick. Real French interest rates are already 8.5 per cent - a further rise would be a high price to pay for saving face.

Of course, these problems could be avoided if the D-Mark sheds its recent strength. Turmoil in the Soviet Union, or the prospect of a SPD-Green election victory could achieve that later this year. But in the short term, the fundamental support for the German unit was well illustrated yesterday when the D-Mark gained a penny against the dollar in London on the back of a long-expected prime rate cut. Twelve-month Euro-mark rates are currently over a quarter of a point higher than Euro-dollar rates - and give investors an apparent risk-free choice.

Not that one can fault Tomkins' management, given yesterday's news of a 23 per cent increase in interim pre-tax profits to £23.3m. In spite of what looks like about £20m of net debt, Tomkins generated £250,000 of net interest income, a nifty piece of footwork. And it has already pruned down the bits of its fluid control business most exposed to a flat UK market.

Nor has Tomkins come a cropper in its acquisitions. Tomkins makes great play of Smith & Wesson's handgun order from the FBI. The point is to show that under Tomkins, Smith has overcome quality problems which caused its two important defects by Beretta for the US Army's Colt 45 replacement. The snag is Smith & Wesson is typical of the Tomkins portfolio, a set of relatively stable, relatively well-entrenched businesses, but not individually strong enough to hold clear appeal to investors without some more deal-making by Mr Hutchings.

Thames Water

If Thames Water really wants to be taken seriously as the pace-setter among the UK's water utilities, it must try harder. As the first of the newly privatised utilities, Thames has its interim results. Thames missed an opportunity yesterday to begin to differentiate itself from its smaller rivals. For the first time, it should have been able to say something positive about its business, free from the fear of upsetting the civil servants or the prospectus lawyers. Instead, it sounded just like any other public sector monopoly, keeping its comments to a bare minimum and merely reiterating its confidence in meeting its earlier profit forecast - hardly a major management challenge.

If the others continue to be as reticent as Thames, then the stock market may begin to have some doubts about how far water shares should be chased. Clearly, the strength of the market since the water flotation, the partly-paid nature of the shares, plus rumours and actual stake building, has contributed to the sector's outperformance. But there is less than half a percentage point difference now between the prospective yield on British Gas and Thames and this seems a rather high rating for a management which has yet to be tested in the private sector.

Currencies

Friday's lira adjustment was not enough to calm speculation that a general EMS realignment is overdue. The lower level of the lira's band was not altered at all; the "devaluation" only consisted of a shift between the central points of a 6 per cent and 2.25 per cent range. The central problem - West Germany's trade surplus with other EC members, estimated at about DM100bn in 1989 - has not been eliminated.

The Bundesbank has been pushing hard for a D-Mark revaluation and its monetary policy - a 4 to 6 per cent target range for M3 compared with expected GNP growth of 3.5 per cent this year - is extremely tight. Those countries, notably the French, which have been

Tomkins

There has been a mild re-rating of Tomkins' shares and there may be more to come; but this upgrading does not look like it to be dramatic. There are plusses: that the UK accounts for only 35 per cent of operating profits and that margin improvements are still to come from the Murray Ohio mower and bicycle business. But broadly-based, though Tomkins is, it is still relatively small, at only £270m of market capitalisation. It is hard to see just yet that, as conglomerates go, its businesses have market positions dominant enough to justify a much higher rating for the shares than the 10.6 times expected 1990 earnings on which they closed last night.



Japanese Prime Minister Toshiki Kaifu and his wife Sachiko wave before boarding their aircraft for an 11-day, seven-nation tour of West and East Europe beginning in Bonn today.

Romania ends first Securitate trial amid popular scepticism

By Judy Dempsey in Bucharest

THE FIRST trial of those who fought to preserve the former Ceausescu regime in Romania ended with a nine-year sentence for the as-yet unnamed accused yesterday amid growing popular concern that the planned series of tribunals may involve only a token number of the hated former security police, the Securitate.

The country's ruling Front for National Salvation yesterday empowered military tribunals to open proceedings against "terrorists" accused of defying the former regime, and Mr Aurel Munteanu, a Front spokesman, said the first trial, of an undisclosed number, had begun in the central provincial capital of Sibiu.

With scepticism growing across the country over the process of bringing the secret

police to justice, there are suspicions that senior Securitate officers remain at large. The Front has not yet disclosed how many had been arrested.

In the central Romanian town of Brasov the Front has detained only two Securitate officers. In spite of the harsh punishments meted out to hundreds of people who protested in Brasov in November 1987 against food shortages and energy price rises, the head of the Securitate and the head of the local Communist party remain free.

Brasov has been run as a mini police state, with those who led strikes at the Red Flag Truck Factory being arrested, while scores have been sent to internal exile. Others were given prison sentences and some disappeared amid specu-

lation that they were killed by the Securitate.

General Ion Flora, Front leader in Brasov, said proceedings would begin once the Securitate files, at present sealed in Brasov, are opened. In Bucharest, the situation is confused.

It appears that because the Securitate was so large, and because the Communist Party had a membership of over 3.5m out of Romania's population of 22m, there is a growing consensus that many people had been "touched" by the Securitate. One Front member said: "Everybody is afraid to open the files."

Mr Dumitru Mazilu, one of the most radical members of the Front said: "There are simply too few impartial judges to try the Securitate."

W German trade surplus falls

By Andrew Fisher in Frankfurt

WEST GERMANY'S monthly trade surplus dropped by 19 per cent in November as imports grew more strongly than exports, but the surplus for the full year was still heading for a record, according to latest figures from the Federal Statistics Office.

With exports exceeding imports by DM124.7bn (£74bn) in the first 11 months of 1989 - 9 per cent more than in the same period of 1988 - the surplus for the full year should comfortably exceed the DM128bn of the previous year. In 1990, however, economists expect a slight downturn.

At a likely DM140bn, last year's trade surplus would be nearly double that of 1985. German exports have been propelled by vigorous demand from other European, mainly European Community, markets, a trend which has particularly benefited the capital goods sector. West Germany's trade surplus with the EC was probably around DM100bn in 1989, according to James Capel, the UK stockbroker. This is double the level of three years ago.

Much of the demand for German engineering and other goods from countries such as the UK, Spain and Italy has stemmed from industrial re-equipping by companies in advance of the single EC internal market. "German goods are bought very much on quality rather than price," noted Mr Nigel Rendell, an economist with James Capel.

In the January-November period, German exports rose by 15 per cent, compared with a 17 per cent rise in imports. For November alone, however, exports moved up by only 8 per cent, against 17 per cent for imports.

An official of the statistics office said there was no obvious reason for the difference in the November growth rates, which brought the surplus for the month down to DM10.6bn from DM13.1bn the year before.

The demand for consumer goods caused by the influx of refugees from Eastern Europe, and by the impact on personal incomes of wage rises and DM24bn of tax cuts, should push up imports further this year, economists believe. Thus

James Capel estimates a decline to about DM135bn in the trade surplus.

Economic growth is also expected to drop somewhat this year, but by less than expected before the latest developments in Eastern Europe. Dresdner Bank estimates growth of some 3.5 per cent in 1990, with James Capel and London-based Robert Fleming Securities forecasting nearer 4 per cent. Preliminary figures for gross national product, to be released tomorrow, are expected to show expansion of just over 4 per cent in 1989.

"All the components of growth are going to be pretty strong this year," said Mr Rendell. "We pushed up our growth forecast when the Berlin Wall was opened."

Eventually, the opening up of Eastern Europe should also give West German exporters a further boost. But trade with the East starts from a very low base; in 1988, West German exports to Eastern Europe accounted for only 4 per cent of the total, against 54 per cent with Western Europe.

Leading US banks reduce prime rate to 10 per cent

Continued from Page 1

declined to follow its lead. Since the turn of the year, banks' cost of borrowing has eased slightly and bankers have become convinced that the Fed's target for Fed Funds was indeed 8 1/4 per cent. Seasonal pressures had made the Fed reluctant to cut the prime rate, which risks lead reserves to each other overnight - highly volatile in recent weeks.

Yesterday's round of prime cuts was led by First Chicago and quickly followed by many other leading banks including Citibank, Continental and Morgan Guaranty.

Credit markets were little affected by the news with short term rates unchanged. Prices of long maturity Treasury bonds continued to ease after a weak opening. By early afternoon the Treasury's benchmark 30-year bond was off 1/4 of a point at 100 1/2 yielding 8.09 per cent. The prime cut did, however, give a psychological boost to stocks after they had opened weakly. The Dow Jones Industrial Average closed up 21.12 points at 2794.37 on moderate volume after being down some 11 points early in the session.

Equities are still labouring though under fears that fourth quarter corporate profits will turn out lower. Bonds are giving ground as hopes fade that the Fed will cut the Fed Funds rate by another 1/4 of a point this week.

With inflation figures for January likely to edge higher because of the severe winter weather, most market participants believe the Fed is unlikely to ease policy before early February. The Fed unexpectedly added reserves to the market yesterday, pushing the Fed Funds rate down to 8 1/4 per cent, but the move was seen as technical rather than the first hint of easier money.

The Italian lira yesterday passed comfortably through its first day on foreign exchange markets following its realignment within the European Monetary System. The Italian authorities were content that the currency strengthened against most other EMS currencies.

Ford chief warns of world car glut

Continued from Page 1

Mr Poling said that 65 per cent of the \$50bn US trade deficit with Japan was automotive, and the automotive-related share had increased in four of the last five years. Nearly 40 per cent of the \$6.5bn US trade deficit with South Korea was also automotive-related.

In the US, where new vehicle sales dropped by around 6 per cent last year, all three domestic producers, General Motors, Ford and Chrysler were losing money on their core North American automotive operations in the third quarter of 1989.

Japanese car makers were now entering some of the US manufacturers' primary domestic markets for the first time, including luxury cars and fleet sales, as they shifted the emphasis of their attack to larger, more expensive and more profitable models, said Mr Poling.

The trend growth in the world automotive market was expected to be slow at around 2 per cent a year over the next decade compared with 3 1/2 per cent in the 1980s.

Vehicle sales would increase by some 1.5 per cent a year in

Europe and only one per cent a year in North America.

Around 60 per cent of the expected growth in car sales in the next 20 years would come from emerging markets, such as Eastern Europe and the Soviet Union, China, India and other Asian markets, where the leading automotive groups had little or no manufacturing presence today.

Ford said yesterday that it would fit driver and passenger-side air bags as standard to North American cars from the mid-1990s, the first such move by a US domestic car maker.

WORLD WEATHER

	C	F	°C	°F	C	F	°C	°F	C	F	°C	°F
Alexandria	12	54	Dubrovnik	10	50	Moscow	10	50	Prague	9	48	48
Algiers	12	54	Edinburgh	10	50	Paris	10	50	Rome	10	50	50
Amsterdam	12	54	Fair	10	50	Seoul	10	50	Saint Petersburg	10	50	50
Antwerp	12	54	Fair	10	50	Singapore	10	50	Sofia	10	50	50
Barcelona	12	54	Fair	10	50	Stockholm	10	50	Taipei	10	50	50
Berlin	12	54	Fair	10	50	Tokyo	10	50	Toronto	10	50	50
Bombay	12	54	Fair	10	50	Ulaanbaatar	10	50	Vancouver	10	50	50
Buenos Aires	12	54	Fair	10	50	Warsaw	10	50	Washington	10	50	50
Burgas	12	54	Fair	10	50	Yokohama	10	50				
Calcutta	12	54	Fair	10	50							
Cardiff	12	54	Fair	10	50							
Cebu	12	54	Fair	10	50							
Colon	12	54	Fair	10	50							
Costa Rica	12	54	Fair	10	50							
Dakar	12	54	Fair	10	50							
Damascus	12	54	Fair	10	50							
Dhaka	12	54	Fair	10	50							
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Fair												

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INTERNATIONAL COMPANIES AND FINANCE

Intel makes executive appointment

By Louise Kehoe in San Francisco

INTEL, the US microchip concern, yesterday announced a senior appointment in a first step towards the transition to a second generation of top managers in Silicon Valley's semiconductor industry.

The company named Dr Craig Barrett, 50, as executive vice-president with responsibility for internal operations.

Dr Andrew Grove, president of Intel, said he would spend more time on business and customer relationships in the next few years.

"Then we will add an externally focused counterpart to Craig in a couple of years. At that time I would plan to assume a less active role in the company's day-to-day operations," said Dr Grove.

He said there were several potential internal candidates for the second top management position at Intel. "We have a

wonderful depth of management; I don't think we will be looking outside the company."

The management transition would be a "gradual, multi-year process," said Dr Grove. It would eventually lead to the replacement of himself as president and of Dr Gordon Moore as chairman.

Dr Barrett, a native of San Francisco, has been with Intel since 1974. Most recently, he was senior vice president and co-general manager of Intel's microcomputer components group, which produces the company's world-leading microprocessor chips.

Dr Barrett is one of a handful of senior Intel managers who have been considered likely candidates eventually to take over the chief executive post. However, Dr Barrett said he did not believe there had

been overt competition for the job and did not anticipate any dissatisfaction among those who might have hoped to win the appointment.

Yesterday, Intel also announced the appointment of three group presidents to head its microcomputer, systems and embedded controller and memory chip groups.

Intel is the first Silicon Valley chip company to name a successor to its founding managers. Dr Grove participated in the founding of Intel in 1968 and has been with the company ever since.

● Tandem Computers has introduced a new range of computers that uses the Unix operating system. Tandem's move, along with the anticipated introduction this week of Unix-based workstations by Hewlett-Packard and a Unix supercomputer by Intel, signal

a trend towards the wider use of the standard operating system, analysts said.

California-based Tandem, which is known for its fault-tolerant "monolithic" computers, said its Integrity 52 system would cost from \$172,000 to \$248,000. Capable of performing 12 million instructions per second, it is based on the R2000 chip from MIPS Computer Systems and has three separate processors, allowing it to keep running if one fails.

"Buyers have tended to balk at using Unix-based systems for mainstream business purposes because they couldn't count on the systems being up and running," said Mr Jeffrey Beeler, an analyst at Dataquest. "It appears that Tandem has done the best job of addressing reliability problems."

US group proposes takeover of Koor

By Hugh Carnegie in Jerusalem

IN A surprise twist in the saga of Koor Industries, the deeply indebted Israeli group, a Californian company controlled by Mr Roy Disney has offered to buy a controlling stake in the company.

Shamrock, a private investment company with interests in broadcasting, oil and retailing as well as in Walt Disney, has proposed taking over Koor as part of a comprehensive settlement of the company's billion-dollar debts which Koor has said it cannot pay.

It is understood that Shamrock's offer is to invest \$200m in Koor on condition that this is matched by similar sums both by Israeli government investment and right-offs by Koor's creditors.

The Government has said it is considering the offer. It has also said that interest in acquiring Koor has been expressed by the Belzberg family, private Jewish investors from Canada and the US.

These unexpected developments came as the Government, the Histadrut Trade Union Federation which owns Koor and the company's domestic and foreign creditors were engaged in trying to reach agreement over how the group could be kept afloat.

Koor had requested large write-offs by its creditor banks and an injection of funds by the Government to bridge a gaping cash-flow shortage. Although the Histadrut had said it was prepared to give up some of its equity as part of a solution, the Government and the creditors were far from agreed on how to spread the burden.

According to the company's representative in Israel, Shamrock's president Mr Stanley Gould - also a Disney board member - came to Israel initially to look at some parts of Koor. Mr Gould then decided to formulate an offer for the whole group.

It was not clear last night how the various parties would react to the move, but the foreign creditors at least are likely to be sceptical about being asked, in effect, to subsidise Shamrock's purchase.

Ford 'considering sale of aerospace operations'

By Kevin Done, Motor Industry Correspondent, in Detroit

FORD MOTOR of the US, the world's second-largest automotive group, is considering the sale of its aerospace operations, according to US newspaper reports.

Mr Harold Poling, Ford deputy chairman and chief operating officer who takes over as chairman of the group on March 1, refused to comment on the reports, but admitted the outlook for the aerospace business was "difficult," especially in its defence operations.

The Ford aerospace and communications division, which won military and civilian orders worth around \$2bn in 1989, derives more than two-thirds of its turnover from defence contracts. It is an

important supplier of missiles, flight training technology and command, control, communications and intelligence systems, with an estimated annual turnover of \$2.5bn out of a 1988 group turnover of \$92.4bn.

There is growing concern among arms companies that the dramatic political changes in Eastern Europe, combined with the huge deficit in the US federal budget, could lead to a substantial reduction in US military spending.

In addition, all automotive groups are facing considerable challenges in the 1990s in funding rapidly increasing research and development and capital expenditure needs for new vehicle development.

These pressures are leading to increased concentration in the world automotive industry and Ford itself recently agreed to pay £1.6bn (\$2.6bn) to take over Jaguar, the UK luxury car-maker.

Mr Poling indicated that Ford was interested at a future date in increasing its 25 per cent equity stake in Mazda, its Japanese affiliate, which is playing an increasingly important role in Ford's global car development.

Banks try to stop Bond from selling breweries

By Bruce Jacques in Sydney

BOND Corporation Holdings was asked to sign a document preventing it from selling its breweries without bank approval just five days before the brewing unit was placed in receivership on December 28.

The short notice given by the banks was revealed yesterday in the Victorian Supreme Court by Mr Graeme Willis, an executive of National Australia Bank (NAB), under his second day of cross-examination by Mr Allan Myers, QC, counsel for Bond Corp. NAB leads the syndicate of bank creditors which made the move after Bond Brewing Holdings defaulted on an interest payment.

Mr Willis said his bank had for the previous seven months to obtain such an undertaking covering a disposal of the breweries, but did not actually seek it until December 24. But he denied that NAB had been "playing its cards close to its chest" to give the impression Bond Corp had been irresponsible in not signing the document before the court placed the breweries in receivership.

The court, which is hearing an application by Bond to have a receivership order lifted from its brewing business, was also told that NAB had purposely

omitted a document when it applied for the receivership.

Mr Myers said Mr Willis should have included a document from Bond Brewing rebutting NAB accusations of "upstreaming" and "sides-streaming" more than A\$300m (\$250m) from the brewing arm to other Bond companies.

Mr Justice Beach, hearing the case, said last week the alleged shifting of money from Bond Brewing was one of his prime reasons for granting the receivership application.

But Mr Myers said the Bond Brewing letter disagreed with the bank's assertion and claimed that funds advanced from the brewing operations to Bond Corp had been offset by repayments.

Mr Willis also said John Labatt, the Canadian brewer, had once expressed interest in buying Bond's Australian brewing interests for between A\$1.5bn and A\$2bn.

● Bond Corp yesterday launched a separate legal action against the Western Australian State Government Insurance Commission seeking unspecified damages. This follows a court ruling in Perth last Friday rejecting the commission's attempt to put all of Bond Corp in receivership.

O'Reilly eyes 30% stake in Waterford Wedgwood

By Kieran Cooke in Dublin

MR TONY O'Reilly, chairman of the Heinz foods group, was reported yesterday to be negotiating to take a 30 per cent stake in Waterford Wedgwood, the Irish-owned glass and china manufacturer. The deal may come through a cash injection in the troubled group by Fitzwilliam, an Irish investment company with a UK share listing.

Waterford said discussions were taking place "that may lead to a cash subscription for a major (but not controlling) interest" in its shares.

However, yesterday's Irish Independent, flagship of a newspaper group headed by Mr O'Reilly, gave prominent display to a report that Fitzwilliam would be ready to pay £270m

(\$45m) for a 30 per cent Waterford stake, or 39 Irish pence per share. In London, Waterford shares rose 4p to 57p.

Waterford Wedgwood, incorporating Waterford Crystal in Ireland and Wedgwood china in England, is experiencing difficult times. It is now expected 1989 figures will reveal an after-tax loss approaching £20m. Group debt is now estimated to be more than £140m.

Most of the group's troubles stem from its crystal division. Early last year it announced various "accounting errors" in the crystal division had led to a considerable overestimate of projected profits. A boardroom shake-up followed, with Mr Paddy Hayes resigning as Waterford's chief executive.

Philips raises net profit

PHILIPS, the Dutch electronics company, said its 1989 net profit had improved strongly from the previous year's Fl 1.06bn (\$559m), Reuter reports.

Mr Cor van der Klugt, chairman, said in his New Year speech that net sales had improved by 2 per cent to Fl 57bn.

He said Philips had previously forecast operating profit substantially above that of 1988, but the level of extraordinary gains now allowed him to forecast that 1989 net profit would also be up steeply.

Full 1989 figures will be published on March 1. Mr Van der Klugt said sales rose to Fl 57bn in 1989.

Solvay to increase spending

By Peter Marsh

SOLVAY, Belgium's biggest chemicals group and the 12th largest in Western Europe, plans a large rise in capital spending this year which underlines the expansionary mood in much of the European chemicals industry.

Details of the investments for 1990 are still under review by the company but are likely to involve a large increase on the estimated Bfr26bn (\$770m) spent by the company in this area in 1989.

Much of Solvay's strategy over capital spending is geared towards increasing its presence in relatively high-value parts of the chemicals business, such as high-performance plastics for use in the

motor and other industries.

The bullish investment plans also reflect a restructuring of Solvay's activities in West Germany, announced by the company in November. These changes should lead to a capital gain of some Bfr30bn by 1993, largely due to lower tax charges, and much of this money will go towards fuelling the expansion.

Solvay's plans are following general trends in the European chemicals business, where many of the leading companies are boosting investments following the strong growth of the sector during the late 1980s.

According to projections from Cefic, the Brussels-based

trade association for the European industry, capital spending by companies in Western Europe will be 2 per cent up this year on 1989's record spending of \$23bn.

Solvay is the world's top producer of high-density polyethylene and is in third place in production of polyvinyl chloride (PVC) - both relatively low-value commodity plastics. It also makes polypropylene, another basic plastic, making it Europe's sixth-biggest plastics producer.

Solvay hopes to increase its output of higher-value plastics such as fluorinated polymers which have special properties in areas such as heat resistance and strength.

Electrolux sells BBM for SKr520m

By Robert Taylor in Stockholm

ELECTROLUX of Sweden, the world's leading white goods manufacturer, announced yesterday that it had sold its 100 per cent shareholding in BBM Invest, the building materials business, for SKr520m (\$83.6m).

The buyer is Det Danske Træindustri, the Danish building materials and timber products company. BBM Invest is the parent company

of Beijer Building Materials Group.

Mr Anders Sharp, president and chief executive of Electrolux, said the merger would "create a powerful Scandinavian building materials trading group, offering the company opportunities for future growth greater than those available as a subsidiary of Electrolux."

The sale would also enable

Electrolux to "concentrate to an even greater extent on its primary business areas."

The building components area of Electrolux is made up of a number of operations in the Beijer Building Materials Group, which had sales totaling SKr2.7bn last year and accounted for around 5 per cent of the company's total sales.

December, 1989

SÜMERBANK
HOLDING A.Ş.U.S. \$ 25,000,000
SHORT TERM FINANCE FACILITY

Lead Manager

Banque Internationale de Commerce

Manager

Standard Chartered Bank

Funds Provided by

Banque Internationale de Commerce

Standard Chartered Bank

Union Bank of Finland (France) S.A.

Bank of Bahrain and Kuwait B.S.C., Istanbul Branch

BRED - Paris

Frankfurt Bukarest Bank AG

Agent



BANQUE INTERNATIONALE DE COMMERCE

December, 1989

T.D.Ç.İ.
TURKISH IRON AND STEEL WORKSU.S. \$ 25,000,000
SHORT TERM FINANCE FACILITY

Lead Manager

Banque Internationale de Commerce

Funds Provided by

Banque Internationale de Commerce

Commonwealth Bank of Australia

Bank of Bahrain & Kuwait B.S.C., Istanbul Branch

Arab International Bank, Bahrain

Banco di Sicilia International S.A.

Norddeutsche Landesbank Girozentrale

Syndicate Bank, London

Cassa di Risparmio di Roma

Agent



BANQUE INTERNATIONALE DE COMMERCE

Group Precious Metal Mining Companies' Reports for the quarter ended 31 December 1989

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 60/0489/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
OPERATING RESULTS			
Gold - East Driefontein			
One milled (t)	692 000	720 000	1 412 000
Gold produced (kg)	5 925.8	5 700.0	11 625.8
Yield (g/t)	8.6	8.0	8.3
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	227 999	232 322	460 321
Cost (R/milled)	142 933	134 21	277 144
Profit (R/milled)	85 066	98 111	183 177
Revenue (R000)	227 999	232 322	460 321
Cost (R000)	142 933	134 21	277 144
Profit (R000)	85 066	98 111	183 177
Gold - West Driefontein			
One milled (t)	705 000	705 000	1 410 000
Gold produced (kg)	7 112.9	7 121.0	14 233.9
Yield (g/t)	10.1	10.2	10.1
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	227 999	232 322	460 321
Cost (R/milled)	142 933	134 21	277 144
Profit (R/milled)	85 066	98 111	183 177
Revenue (R000)	227 999	232 322	460 321
Cost (R000)	142 933	134 21	277 144
Profit (R000)	85 066	98 111	183 177
Reclamation plant - West Driefontein			
Tons treated (t)	429 600	429 600	859 200
Gold produced (kg)	7 112.9	7 121.0	14 233.9
Yield (g/t)	10.1	10.2	10.1
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	227 999	232 322	460 321
Cost (R/milled)	142 933	134 21	277 144
Profit (R/milled)	85 066	98 111	183 177
Revenue (R000)	227 999	232 322	460 321
Cost (R000)	142 933	134 21	277 144
Profit (R000)	85 066	98 111	183 177

FINANCIAL RESULTS (R000)			
Working profit: Gold and reclamation plant	215 821	210 168	425 989
Tribute royalties	1 176	506	1 682
Net mining revenue	216 997	210 674	427 671
Net sundry revenue (Group)	13 482	20 488	33 970
Recovery under loss of profits insurance	1 288	1 288	2 576
Profit before tax and State's share of profit	230 479	232 477	462 956
Tax and State's share of profit	111 479	112 895	224 374
Profit after tax and State's share of profit	119 000	119 582	238 582
Capital expenditure	54 767	53 554	108 321
Dividend	150 500	150 500	301 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1989 was R562.5 million.

DIVIDEND. A dividend (No. 33) of 65 cents per share was declared on 12 December 1989, payable to members on or about 7 February 1990.

SHAFTS. No. 3 Sub-Vertical Shaft-E. The shaft was sunk 55 metres to a depth of 1 494 metres below collar. The excavation of 30 level station and development to the waste pass position were completed. Development of the transfer level was commenced.

No. 4 Tertiary Shaft-L. 32 metres of the 72 metre haulage have been shipped. CNI work continues in the stage transfer chamber and the installation of the rock hoist is in progress.

Production. Production was adversely affected by a fire which broke out on 21 November in a main reef slope to the west of the No. 1 shaft complex. The fire has been sealed but 28 000 tons were lost in December and it is expected that production will also be affected during January.

WEST DRIEFONTEIN. No. 9 Sub-Vertical Shaft-W. Development of the station layout on 22 and 23 levels, and the excavation of winter chambers on 21 and 22 levels continues. The muckbooding of rock passes between 21 and 22 levels is in progress.

RESIDUE DUMP RETREATMENT. The reclamation plant was commissioned during October and is now operating at full capacity.

On behalf of the board

R. A. Plumbidge } Directors

M. J. Tagg }

8 January 1990

Northam

Northam Platinum Limited
(Registration No. 77/0328/06)

ISSUED CAPITAL: 28 800 000 shares of 1 cent each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
Pre-production Mine Development Expenditure (R000)			
Capital expenditure	45 640	32 770	78 410
Net income after tax	3 684	4 730	8 414
	41 956	28 040	69 996

All income and expenditure has been capitalised as pre-production mine development expenditure.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1989 was R632.2 million.

SHAFTS. No. 1 Shaft-Z. The shaft was sunk 13 metres to a depth of 1 751 metres below collar. The excavation of 8 level station and development to the rock pass positions were completed. The reef and waste passes between 7 and 8 levels were muckbooded. A backfill dam in the intermediate Pump Chamber (PC) was excavated and a start was made on the installation of pumping equipment.

No. 2 Shaft-Z. The shaft was sunk 20 metres to its final depth of 1 822 metres below collar. The excavation of 9 level station and of the pump chamber was completed. The installation of the shaft commenced from the bottom.

METALLURGICAL PLANT. Work continues on the construction of the smelter complex and the base metal removal plant. The shield of the stack has been completed. The installation of flues within the shield will commence after the Christmas recess.

VILLAGE. Contracts have been awarded for a further 181 houses and good progress is being made.

On behalf of the board

M. B. Forsyth } Directors

M. J. Tagg }

8 January 1990

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/0462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
OPERATING RESULTS			
Gold			
One milled (t)	540 000	540 000	1 080 000
Gold produced (kg)	6 822.5	6 912.0	13 734.5
Yield (g/t)	12.6	12.8	12.7
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	217 999	217 999	435 998
Cost (R/milled)	186 936	186 936	373 872
Profit (R/milled)	31 063	31 063	62 126
Revenue (R000)	217 999	217 999	435 998
Cost (R000)	186 936	186 936	373 872
Profit (R000)	31 063	31 063	62 126
FINANCIAL RESULTS (R000)			
Working profit: Gold	122 842	122 147	244 989
Net sundry revenue	9 188	7 098	16 286
Profit before tax and State's share of profit	132 030	129 245	261 275
Tax and State's share of profit	19 514	21 522	41 036
Profit after tax and State's share of profit	112 516	107 723	220 239
Capital expenditure	86 508	80 462	166 970
Dividend	72 660	72 660	145 320
Issue of debentures	35 425	35 425	70 850

(a) The unexpended balance of authorised capital expenditure at 31 December 1989 was R735.2 million.

(b) Included in the total of capital expenditure for the quarter ended 31 December 1989 is an amount of R25.4 million in respect of Leerdooien.

DIVIDEND. A dividend (No. 40) of 60 cents per share was declared on 12 December 1989, payable to members on or about 7 February 1990.

SHAFTS. No. 4 Sub-Vertical Shaft-E. The shaft was sunk 260 metres to a depth of 598 metres below collar.

LEERDOOIN. No. 1 Shaft-L. The shaft was commissioned for the hauling of men, materials and rock.

No. 1 Sub-Vertical Shaft-L. Sinking of the shaft continued from surface and was sunk 121 metres to a depth of 401 metres below collar. The shaft has reached 28 level where the changeover to sinking from underground will commence. The erection of the manwinder continued and the installation of the rockwinder commenced.

On behalf of the board

M. J. Tagg } Directors

M. B. Forsyth }

8 January 1990

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/0562/06)ISSUED CAPITAL: 20 200 000 ordinary shares of 25 cents each, fully paid.
4 800 000 deferred shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
OPERATING RESULTS			
Gold			
One milled (t)	415 200	405 000	820 200
Gold produced (kg)	1 526.1	1 488.7	3 014.8
Yield (g/t)	3.7	3.7	3.7
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	135 599	131 579	267 178
Cost (R/milled)	112.5	112.5	225.0
Profit (R/milled)	23.0	21.0	44.0
Revenue (R000)	135 599	131 579	267 178
Cost (R000)	112.5	112.5	225.0
Profit (R000)	23.0	21.0	44.0
FINANCIAL RESULTS (R000)			
Working profit: Gold	107	107	214
Net sundry revenue	267	267	534
Recovery under loss of profits insurance	1 300	1 300	2 600
Profit before tax	1 674	1 674	3 348
Tax	(326)	(326)	(652)
Profit after tax	1 348	1 348	2 696
Capital expenditure	1 382	529	1 911
Old mine	11 991	7 614	19 605

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1989 was R62.4 million.

DIVIDEND. The interim dividend was passed.

PRODUCTION. On 18th September a fire was discovered in a Venterspost Contact Reef slope on 30 level in the No. 3 Tertiary Shaft area. The fire was contained and normal stopping operations in the affected area were resumed 15 days later. As a result of the fire the tonnage milled for the quarter was 4 800 tons below the planned milling rate. A provisional payment in respect of a claim for the consequent loss of profit has been received.

Because of the decline in the real price of gold over the past year and the resultant increase in the operating pay limit, it has become uneconomic to mine at the rate of 140 000 tons per month. Accordingly it has been decided to reduce the mill rate to 130 000 tons per month from January 1990. This will be reviewed periodically.

No. 4 SHAFT. The shaft was sunk 183 metres to a depth of 270 metres below collar. A pump and cable pocket at 367 metres below collar was excavated and lined. The installation of pumps is in progress.

The haulage on 10 level from No. 1 Sub-Vertical Shaft towards No. 4 shaft advanced 428 metres to 1 839 metres and is now 54% complete. The installation of water doors is in progress.

A start was made on the development of 24 level haulage from No. 1 Sub-Vertical Shaft towards No. 4 shaft and 109 metres were achieved.

RIGHTS OFFER. Shareholders' attention is drawn to the press announcements on 29 December 1989 and 8 January 1990 regarding the rights offer of linked units to shareholders, as well as to a further announcement on 10 January 1990. A circular containing full details of the offer will be posted to shareholders on 19 January 1990.

On behalf of the board

M. J. Tagg } Directors

M. B. Forsyth }

8 January 1990

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/0831/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
OPERATING RESULTS			
Gold			
One milled (t)	435 000	435 000	870 000
Gold produced (kg)	1 801.1	1 998.1	3 799.2
Yield (g/t)	4.1	4.5	4.3
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	141 599	141 599	283 198
Cost (R/milled)	132.28	132.28	264.56
Profit (R/milled)	27.31	27.31	54.62
Revenue (R000)	141 599	141 599	283 198
Cost (R000)	132.28	132.28	264.56
Profit (R000)	27.31	27.31	54.62
FINANCIAL RESULTS (R000)			
Working profit: Gold	1 299	5 092	6 391
Net sundry revenue	1 991	1 856	3 847
Profit before tax and State's share of profit	3 290	6 948	10 238
Tax and State's share of profit	949	747	1 696
Profit after tax and State's share of profit	2 341	6 201	8 542
Capital expenditure	4 225	9 806	14 031
Dividend	4 000	4 000	8 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1989 was R47.6 million.

DIVIDEND. A dividend (No. 78) of 10 cents per share was declared on 12 December 1989, payable to members on or about 7 February 1990.

On behalf of the board

M. J. Tagg } Directors

J. G. Hopwood }

8 January 1990

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24703/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
OPERATING RESULTS			
Gold			
One milled (t)	390 000	390 000	780 000
Gold produced (kg)	2 065.2	1 967.3	4 032.5
Yield (g/t)	5.3	5.0	5.2
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	127 123	127 123	254 246
Cost (R/milled)	165.09	165.09	330.18
Profit (R/milled)	9.04	9.04	18.08
Revenue (R000)	127 123	127 123	254 246
Cost (R000)	165.09	165.09	330.18
Profit (R000)	9.04	9.04	18.08
FINANCIAL RESULTS (R000)			
Working profit: Gold	3 527	1 132	4 659
Net sundry revenue	1 786	1 935	3 721
Profit before tax and State's share of profit	5 313	3 067	8 380
Tax and State's share of profit	869	762	1 631
Profit after tax and State's share of profit	4 444	2 305	6 749
Capital expenditure	8 447	9 745	18 192

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1989 was R61.2 million.

DIVIDEND. The interim dividend was passed.

On behalf of the board

M. J. Tagg } Directors

B. A. Day }

8 January 1990

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1989	Quarter ended 30 Sept. 1989	Six months ended 31 Dec. 1989
OPERATING RESULTS			
Gold - Droogebult			
One milled (t)	54 654	52 314	106 968
Gold produced (kg)	155.5	149.9	305.4
Yield (g/t)	2.8	2.9	2.8
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	92.33	92.33	184.66
Cost (R/milled)	83.64	83.64	167.28
Profit (R/milled)	8.69	8.69	17.38
Revenue (R000)	92 330	92 330	184 660
Cost (R000)	83 640	83 640	167 280
Profit (R000)	8 690	8 690	17 380
Gold - Surface sources			
One milled (t)	77 944	66 076	144 020
Gold produced (kg)	77 944	66 076	144 020
Yield (g/t)	155.5	149.9	305.4
Price received (R/kg)	32 559	32 357	32 458
Revenue (R/milled)	252.33	214.66	466.99
Cost (R/milled)	214.66	184.66	399.32
Profit (R/milled)	37.67	30.00	67.67
Revenue (R000)	252 330	214 660	466 990

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NOTICE OF REDEMPTION



DKK 600,000,000 Floating Rate Notes due 1993
Tranche B of DKK 300,000,000

NOTICE IS HEREBY GIVEN that, pursuant to Clause 6(c) of the Terms and Conditions of the Notes, the Issuer will redeem all of the outstanding Notes of Tranche B at their principal amount on 9th February, 1990 (the "Tranche B Redemption Date"), when interest will cease to accrue on such Notes. Repayment of principal will be made upon presentation and surrender of the Notes at the offices of any of the Paying Agents mentioned hereunder. Accrued interest due on the Tranche B Redemption Date will be paid in the normal manner against presentation of Coupon number 13 on or after the Tranche B Redemption Date.

Notes will become void unless presented for payment within twelve years from the Redemption Date.

Principal Paying Agent

Kansallis-Osake-Pankki
Kansallis House
80 Bishopsgate
London EC2N 4AU

Paying Agents

Kansallis International Bank SA
4, Rue du Fort Reinsheim
2016 Luxembourg

Spærkassen SDS
8, Kongens Nytorv
Copenhagen 1050K,
Denmark

Nordfinans-Bank Zurich
Bahnhofstrasse 1,
P.O. Box 8022
Zurich Switzerland



PAN-HOLDING

SOCIÉTÉ ANONYME
LUXEMBOURG

Based on a provisional unaudited statement of the accounts as of December 31, 1989, the company's unconsolidated net asset value amounted to USD 336,261,362.99 i.e. USD 546.77 for each of the 615,000 shares of USD 100 making up the company's capital.

The consolidated net asset value per share amounted as of December 31, 1989 to USD 560.04.

INTERNATIONAL COMPANIES AND FINANCE

Pension funds tackle GM over performance

By Anatole Kaletsky in New York

US PUBLIC pension funds are expressing disappointment with the performance of General Motors, the country's biggest private employer, and are resuming their efforts to intervene in the company's management policies.

In letters to GM's directors, the public retirement systems of New York and California have called on the board to provide information about the selection of a successor to Mr. Roger Smith, GM chairman, who is due to retire in August.

The pension funds have also asked the GM board to consult with them and other institutional shareholders about the policies and objectives to be set for the company's top management in the years ahead.

The move, which appeared to be backed by several other state pension managers with substantial stakes in GM, revived memories of a clash between institutional shareholders and GM's senior management three years ago.

This followed the company's decision to buy out Mr. Ross Perot, a dissident director and leading GM shareholder, for \$700m in order to remove him from the board.

The request to be consulted about a new chairman was an extremely unusual one for US institutional investors. US institutions do not generally expect board representation or

seek direct communication with directors. Wall Street believes that such contacts are not conducive to independent and objective decision-making by investment managers.

When a company fails to perform to the shareholders' expectations, investment institutions are generally expected to sell their shares or support a takeover, rather than communicate their concerns directly to the company's board.

In recent years, however, the public sector pension funds have become more active in their attitudes to corporate managements.

In part this has been a response to political concerns about the social implications of some of the policies being pursued by US corporations. GM has recently announced layoffs in California and New York.

Spokesmen for the New York and California pension systems said that their letters to GM expressed concern about the company's dramatic loss of market share in the past five years, as well as GM's disappointing financial performance.

"There seems to be agreement among the people we talk to that this American institution is going downhill fast and we are paying for it," said Mr. Richard Copus, general counsel of the California Public Employees Retirement System.

Sweet deal turns Onex stock sour

Bernard Simon on the mix of interests held by a Canadian group

ONEX Corporation, the Toronto management company, is no stranger to diversification. The company recently took a controlling stake in a North American automotive business owned by Tate & Lyle, the UK sugar group. It already had investments in packaging, airline catering, a courier service, leasing, food processing and construction materials.

Onex is confident about its latest move and the general thrust of its strategy, however, its penchant for diversification has its critics.

It paid C\$210m (US\$182m) for 80 per cent of Automotive Industries of Virginia. The search for new pastures is not over. It put up C\$25m of its own for the group, leaving it C\$100m for investment.

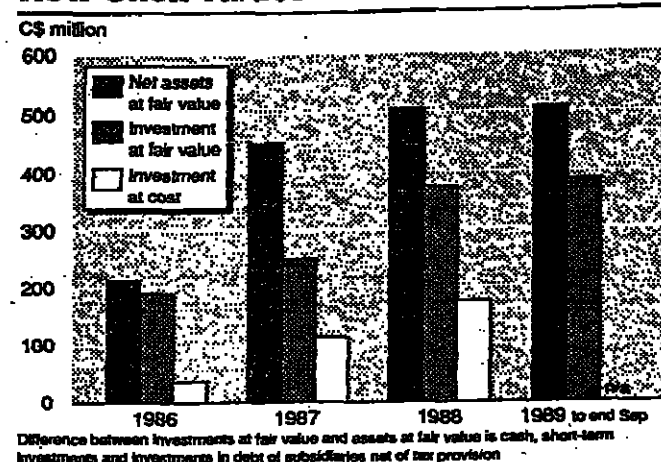
While diversification may spread Onex's risks, the investment community is not impressed.

Three years ago, Onex was a glamour stock of Canadian business, after making a name for itself as Canada's master of the leveraged buy out.

Mr. Gerald Schwartz, Onex's chairman, once worked in New York with the founders of Kohlberg Kravis Roberts. He was seen as one of a new breed of bold, imaginative and well-connected Canadian businessmen.

He is still the chief fundraiser for Canada's Liberal Party. Mr. Schwartz controls 60 per cent of Onex through holdings of multiple-vote shares, and its appeal to investors was reflected in the enormously successful response to its first

How Onex values itself



Difference between investments at fair value and assets at fair value is cash, short-term investments and investments in debt of subsidiaries net of tax provision

public share offering in early 1987. The C\$100m drew C\$34m.

Enthusiasm has cooled since then. The shares, issued at C\$20.50 apiece in 1987, are languishing at C\$14.35.

The announcement of the Automotive Industries deal sent them down 12 cents.

The most significant drawback of a diversified holding is that the performance of the strongest investments can be tarnished by troublesome ones.

In Onex's case, its packaging subsidiary was deep in the red in 1987. The packaging company, which was previously American Can's local subsidiary and is one of Canada's biggest metal can makers, was revived by forming a joint venture with the US two-piece can specialist, Ball Corp.

Meanwhile, Puriator Courier, Canada's biggest courier company, lost C\$1.9m in 1988.

Last year, high short-term interest rates hurt the leasing arm, Norx Leasing. Onex's other big investment, Beatrice Foods, has also had a mixed performance, with poor earnings from biscuits and crackers offsetting the growth in market share of its dairy products in the first nine months of 1989.

Beatrice, a pioneer of junk

bonds in Canada, is highly leveraged. The only consistently strong performer has been Sky Chef, a leading US airline caterer whose main customer is American Airlines.

The Onex management compensation plan has also drawn criticism. Besides generous salaries (the four most senior executives received C\$1.8m between them in 1988), top managers are paid in the form of a dividend of escrowed shares amounting to 20 per cent of each year's increase in what Onex calls the "fair value" of the company's assets.

The fair value, which is calculated by management but must be ratified by external auditors and three-quarters of the board, takes into account not only the financial position of each subsidiary, but such nebulous criteria as premiums paid for control positions of similar companies, and the views of investment bankers.

The "fair value" of assets surged by C\$3.5m in 1988, giving senior Onex managers a handsome extra nest-egg, but diluting the ownership of other shareholders. Fair value went up another C\$4.2m in the first nine months of 1989.

Onex has formed a similar "acquisition partnership" with a former chief executive officer of Pullman Industries. This joint venture made its first investment last year in Dayton Superior, an Ohio manufacturer of reinforced concrete accessories.

The Canadian company is confident its formula of blending its entrepreneurial skills and its partners' management experience is a winner, with the reservation that many more of such ventures might be too much of a good thing.

In Mr. Heersink's words, "If you're 10 partners out there, that's a lot of mouths to feed."

Campeau stores group still for sale

By Anatole Kaletsky in New York

CAMPEAU, the beleaguered Canadian retailing group, said yesterday that it was still trying to sell Bloomingdale's, its most important department store chain.

The company's statement came in response to reports in the Financial Times and the Toronto Financial Post, in which financiers involved in the Campeau restructuring indicated that the group had given up on the Bloomingdale's disposal.

Campeau said these reports were unfounded. "There has been no change in Bloomingdale's status," Mr. Carol Sanger, a Campeau spokeswoman said. However, there was no indication that a possible sale of Bloomingdale's was imminent.

The planned sale was supposed to raise around \$1.5bn and was the centrepiece of the financial rescue strategy for Campeau charted by Mr. Robert Campeau and the Reichmann family of Toronto.

However, bids received in the Bloomingdale's auction were understood to have been too low to make a significant contribution to the strengthening of the group's balance sheet.

If Bloomingdale's could not be sold for an adequate price, Campeau might have no alternative but to file for bankruptcy protection in the near future.

On a related issue, Campeau said it had made no decision yet on whether to make payments this week to its trade suppliers. A failure to make the payments on the wholesalers' invoices, most of which come due tomorrow, could be a prelude to a bankruptcy filing.

Avibras files for creditor protection

By John Barham in São Paulo

AVIBRAS, once among the world's fastest-growing arms companies, has filed a request for protection from its creditors at a São Paulo bankruptcy court.

The company says it is unable to honour debts of about \$200m and wants the court to approve a plan to repay creditors over two years.

The entire Brazilian arms industry is suffering a recession after years of prosperity fuelled by supplying low-tech equipment to third world and Middle Eastern markets. Falling oil prices, rising debts, and peace throughout much of the region has sharply reduced exports.

Engesa, the leading arms manufacturer, has stayed off bankruptcy for years in the hope of clinching an elusive Saudi Arabian tank contract.

The industry's close relations with the Brazilian armed forces has usually ensured it privileged treatment when it needed government financial assistance. This time, the generals of the outgoing Sarney Government were unwilling or unable to bail Avibras out.

Avibras's problems began with the end of the Gulf War. Iraq, once its leading client, stopped paying for its mobile saturation rocket systems.

Sales dropped to an estimated \$40m in 1989 from a record \$355m in 1987. Mr. Pedro Vial, Avibras's finance director, said its troubles were compounded by an overvalued exchange rate that reduced the local currency value of its exports.

As a result, Avibras has fallen heavily into debt. Mr. Vial says it owes about \$130m to local banks, which refinanced its debt at high interest rates. Avibras owes suppliers another \$70m.

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European Mergers & Acquisitions

Specialists in Getting Results

These transactions were completed in 1989.

PaineWebber INVESTMENT BANKING

London New York Tokyo
Boston Chicago Houston Los Angeles San Francisco

BICC plc Acquisition of BRIntec Corporation Financial Advisor Dealer Manager	Cadbury Schweppes plc Acquisition of Crush International, Inc from The Procter & Gamble Company Financial Advisor	Faberge, Incorporated Sale of Faberge and Elizabeth Arden Toiletries, Cosmetics and Fine Fragrance Business to a wholly owned subsidiary of Unilever N.V. and Unilever PLC Initiator Financial Advisor	Ratners Group plc Acquisition of Weisfields, Inc Initiator Financial Advisor Dealer Manager
Astra Holdings PLC Acquisition of PRB s.a. from Gechem, a company in the Société Générale de Belgique Group Initiator Financial Advisor	European Mergers & Acquisitions Specialists in Getting Results These transactions were completed in 1989. PaineWebber INVESTMENT BANKING London New York Tokyo Boston Chicago Houston Los Angeles San Francisco		
Kyle Stewart Limited Acquisition by Hollandsche Beton Groep NV Financial Advisor	BICC plc Acquisition of Andover Controls Corporation Financial Advisor Dealer Manager		
Interlock AG Acquisition of Interlock Sicherheitssysteme AG from Hepworth PLC Financial Advisor		BICC plc Sale of the Connector Products Group of BRIntec Corporation to LPL Technologies Inc. Financial Advisor	ISC Systems Corporation Acquisition by Olivetti USA, Inc Financial Advisor
Pneumatic Scale Corporation Acquisition by Barry Wehmiller International PLC Financial Advisor	St. John Knits, Inc. Acquisition of an 80 per cent. interest by Escada AG Initiator Financial Advisor	BICC plc Sale of Garry Screw Machine Division of BRIntec Corporation to AMP Incorporated Financial Advisor	Elgar Electronics Corporation Acquisition by Dobson Park Industries plc Initiator Financial Advisor

U.S. \$100,000,000



TNT Limited

Subordinated Floating Rate Notes Due 1996

Interest Rate	8.975%
Interest Period	8th January 1990 9th July 1990
Interest Amount per U.S. \$100,000 Note due 9th July 1990	U.S. \$4,537.36

Credit Suisse First Boston Limited
Agent Bank

U.S. \$150,000,000



Floating Rate Notes Due 1994

Interest Rate	8.575%
Interest Period	8th January 1990 9th July 1990
Interest Amount due 9th July, 1990 per U.S. \$100,000 Note	U.S. \$4,335.14

Credit Suisse First Boston Limited
Agent Bank

PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Caribbean Depository Co., N.V. Curaçao, evidencing shares in the above company that the "44th Semiannual Business Report 1989" of Pioneer Electronic Corporation may be obtained from:

N.V. Nederlandse Administratie- en Trustkantoor
N.Z. Voorburgwal 326-328
1012 RW Amsterdam
and

The Bank of Tokyo Ltd.
established in Tokyo, Bruxelles, London, Düsseldorf, Paris and New York.

Amsterdam, January 4, 1990

UK COMPANY NEWS

Acquisitive Ellis & Everard advances 54% to £7.8m

By Vanessa Houlder

ELLIS & EVERARD, the chemical distributor, yesterday announced a 54 per cent rise in pre-tax profits from £5.04m to £7.78m for the six months to October 31.

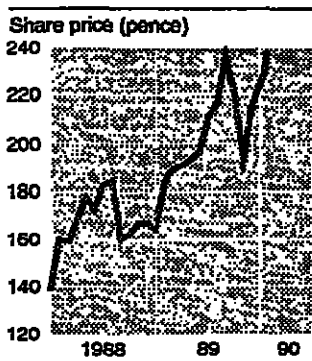
It also announced a £4.5m acquisition of the Peter Geckle Group, a distributor of swimming pool equipment. A further consideration of up to £3.5m will be paid depending on profits over the next two years.

Negotiations on acquisitions in the UK, US and continental Europe were at various stages of progress, the company said.

Mr Simon Everard, chairman, was confident that 1990 would see some, if not all, of the approaches brought to a successful conclusion.

The company is seeking to expand its geographical base in the US, where it distributes commodity chemicals. It is also continuing to expand its speciality chemical business in the UK. In addition, it is looking for acquisitions in continental Europe in order to provide better coverage for its suppliers.

Ellis & Everard



Group sales increased by 59 per cent to £143.2m (£89.5m). In the UK, there was a 16 per cent increase in sales, half of which was due to acquisitions. In the US, sales were sharply higher, mainly due to acquisitions. The increase came chiefly from United and Pioneer in the US and from Dimex in the UK.

The company warned that there were prospects of some deflation in prices and lower levels of industrial activity in

the UK and US.

However, it said that strong November and December sales demonstrated the strength of its customer base and the spread of its markets.

Earnings per share increased from 8.0p to 9.3p. A dividend of 2.2p was declared, an increase of 10 per cent.

COMMENT

Ellis commands a premium rating thanks to its mature management, high quality earnings and good record with acquisitions. It has also benefited from a perception that chemical distributors come out on top in difficult times as hard pressed customers require smaller quantities than can be supplied directly by a manufacturer. That theory, which held true in the last recession, may again be put to the test. Some pressure on margins seems likely although so far business has held up well in the second half. For the full year, analysts expect profits of over £15m, which put the shares, up 8p to 238p, on a p/e of 13. That seems sustainable, given the relative scarcity of the shares.

Specialeyes shares dive after profits warning

By John Thornhill

SPECIALEYES, the chain of retail opticians, quoted on the USM, lost almost a quarter of its stock market value yesterday after it announced that its interim results would show trading losses.

The group's share price tumbled 7p to 210p on the announcement. This compares with the 77p that the shares were worth when Specialeyes was floated on the USM in September 1988.

The extent of the company's losses will be revealed later this month. They were caused by a drop in demand following the withdrawal of the Government's eye test subsidy in April 1989, and by poor trading in the retail sector. Revenues fell to £208.9m and the company's Dutch subsidiary was also a contributory factor.

Last September, Miller & Santhouse, a similarly fast-expanding style-conscious optician, also suffered a sharp fall in profits after the withdrawal of free eye sight tests. It was swallowed by Boots, the retail chemist, in a £14.5m takeover deal.

SeaCon seeks finance details of its predators' bid

By Andrew Hill

The war of words in the eight-month-old bid for Sea Containers intensified yesterday as the ferry and container company asked Tiphook, a UK container rental group, and Stena, a private Swedish ferry operator, to explain the financing of their £1.12bn hostile bid.

The target company also asked the predators to identify the Sea Containers shareholders backing their attempt to requisition a special meeting of the Bermuda-registered company and elect a sympathetic slate of directors.

Sea Containers has called a special general meeting on February 24 for shareholders to vote on the single issue of a defensive recapitalisation plan - a 70p-per-share tender offer for Sea Containers' own equity, to be funded by a \$1.1bn programme of asset disposals.

At a meeting of analysts in New York yesterday, Sea Containers outlined some of the financial effects of the defensive plan over the next two to three years, forecasting a buoyant short-term future for its Sealink British Ferries subsidiary which it said was increasing market share. The group also confirmed that shareholders would receive the tender offer payment on May 15.

Separately, Sea Containers has blamed Tiphook and Stena for the delay in setting a date for its annual meeting. Tiphook and Stena are to appeal against last November's unfavourable court decision - which allowed Sea Containers' shareholders to vote their refusal to accept the takeover - at a special session of the Bermuda Court of Appeals. The hearing will begin on January 22 and the predators are hoping for a decision before the February 24 shareholder meeting.

Lovell acceptances

Y Lovell held 13.4 per cent of Higgs and Hill's shares at the second closing date of its bid for the housebuilding and construction concerns. The offer is slightly below the first closing figure as a result of the withdrawal of acceptances for about 35,000 shares.

24% interim fall, yet full-year £70m estimate exceeds analysts' expectations
Dixons' forecast surprises City

By Maggie Urry

THE PROFITS forecast for the year to April 28 Dixons produced yesterday as part of its defence against the £500m bid from Kingfisher, the Woolworth, Comet, B&Q, and Superdrug retail group, roundly exceeded the figure analysts had been expecting.

While they had been forecasting pre-tax profits for the year of between £40m and £50m, Dixons reckons the outcome will be not less than £70m, compared to £74.4m in the previous year.

At that level, Dixons is forecasting earnings per share of 11p, which at the 120p-per-share price Kingfisher is offering would give a p/e of 10.9.

Furthermore Dixons is promising an 18 per cent increase in the final dividend to 5.6p.

Dixons also reported interim results for the 28 weeks to November 11 showing turnover up 2 per cent to £208.9m and pre-tax profits down by 24 per cent to £32m.

Earnings per share declined from 5.9p to 4.9p and the dividend is increased by 12 per cent to 1.6p.

Part of the reason for the discrepancy between analysts' forecasts and Dixons' full-year profits forecast is a £10m surplus from the group's extended warranty sales.

The extended warranty business began in July 1988 and the first policies are now running out.

Claims experience has been better than the group originally estimated, and on the basis of this, there is a surplus of £30m on the insurance fund, Dixons said.

Of this, £10m would be included in second-half profits.

The profits forecast also benefits from a pension fund holiday compared with a £3.3m charge last year, although Dixons could have declared a credit to profits because the pension fund is in surplus. It also includes a £1.1m profit

from discontinued businesses, part of which is a profit on selling the businesses.

Another reason for the company's profits forecast being so high, was good Christmas trading.

Mr Robert Shrager, Dixons' finance director said that Christmas and New Year sales had been better than the group expected, with 260m of sales in the pre-Christmas week.

The high operational gearing inherent in retailing meant that these extra sales had a big impact on profits, Mr Shrager said.

Dixons' forecast includes a profit of £2m from its UK retail activities, where analysts had been forecasting a loss of about £10m.

Even so, this is a marked fall from the £30.1m profit the division achieved in the previous year.

In the interim figures, UK retail showed a £800,000 loss (profit of £17m).

The retail financial services business - which sells credit as well as the extended warranties - first-half profits of £14.6m (£8.5m) and is forecast to make a profit of £37m (£13.5m) for the year.

US retail made \$500,000 (£4.4m) in the first half and is forecast to produce profits of £10m (£14.4m) for the year. Mr Shrager said the US business had been expanding rapidly - in the short term this had held back profits.

The group's property activities made an interim profit of £17.4m (£14.1m) and is forecast to make £20m (£20.4m) in the full year.

Mr Shrager said that out of the full-year profit only 13 per cent would come from the sale of freeholds of Currys shops - a response to Kingfisher's suggestion that Dixons' property profits are unsustainable on the grounds that they are over-dependent on selling the Currys freeholds.

ML expands 35% to £3.7m

By Clare Pearson

ML HOLDINGS, the aerospace, defence and electrical engineering group, yesterday announced a 35 per cent jump in pre-tax profits, from £2.7m to £3.7m in the half-year to end-September.

The contract for JP233 bomb dispensers, once the core of ML's business, was substantially completed ahead of schedule during the period.

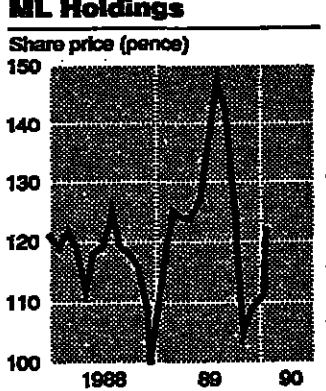
The group said the substantial growth of its commercial aerospace and component distribution activities had been achieved just as the prospects for defence contractors would appear to have declined. Defence was expected to account for only a third of group sales in the full-year.

As a result of the termination of JP233, some 300 employees left towards the end of last year, Mr Peter Pollock, chief executive said.

The ending of the contract also released for sale a freehold site at White Waltham in the Thames Valley. ML expected this sale to reduce its gearing to negligible levels.

On other defence operations, Mr Pollock said the outlook for ML's counter-insurgency and anti-terrorist products was sound. He added it seemed likely that production of the

ML Holdings



European Fighter Aircraft would go ahead; ML was bidding for work on the project as part of a consortium.

On the non-defence aerospace side, the combination of ML Douglas and two acquisitions gave the group a leading position in the European aircraft and cargo handling market. More acquisitions were being sought.

Component distribution businesses, accounting for about 20 per cent of sales, did well and the outlook was improving. Last month EB Signal exercised an option to buy ML's railway signalling operations

for £1.5m, plus £4.3m for settlement of inter-group debt.

Earnings per share grew 21 per cent to 4.74p (3.9p) and the interim dividend is lifted by 18 per cent to 0.85p (0.72p). Turnover was ahead from £49.02m to £58.43m.

COMMENT

ML has not merely suffered, along with other defence-related companies, a fall from favour in the face of recent peace initiatives, it has also had to contend with concerns about what would happen to it as a small company when JP233 ran out. A confident-sounding statement, including the news that commercial aerospace activities would account for about 45 per cent of group sales during the current year, did wonders for the share price yesterday which, after a period of weakness, rose 11p to 123p.

The shares, now part of the newly-formed engineering-aerospace subsection of the FT-A All-Share Index, still stand on a prospective p/e of only about 9, assuming the company makes about £10.5m pre-tax profits in the full-year.

However, given that it is now in a period of such substantial change, such a rating is not unreasonable.

Component distribution businesses, accounting for about 20 per cent of sales, did well and the outlook was improving. Last month EB Signal exercised an option to buy ML's railway signalling operations

STC moves into Spain through joint venture

By Michael Skapinker

STC, the British electronics group, has set up a joint venture with Radiotronics of Spain to provide telecommunications technology to the Spanish market.

Radiotronics is a subsidiary of Banco Espanol de Credito (Banesto), the Spanish industrial group. The joint venture company, to be called RSTC, will be a 50-50 partnership between STC and Banesto.

Mr Roger Wood, managing director of STC Telecommunications Systems Division, said the UK company was attracted by Radiotronics' experience in installing and maintaining telecommunications systems for Telefonica, the Spanish public network operator.

STC said that demand for new lines in Spain was running at over 1m a year. Telefonica is expected to invest more than £1.7bn a year in its network.

The deal is STC's second European telecommunications venture. In June last year the company announced an agreement with Societe Anonyme de Telecommunications de France to tender jointly for telecommunications business.

In October 1988 STC's Submarine Systems Division signed a \$46m contract with Telefonica to supply a new underwater telecommunications link between the UK and Spain. The Submarine Systems Division will continue to trade directly with Telefonica rather than through the joint venture.

Bemrose to restructure its US operations

By Clare Pearson

BEMROSE CORPORATION, the Derby-based security and calendar printer, yesterday said it was carrying out a shake-up of its US operations where a disappointing performance will lead to lower group profits in the current year.

Mr Robert Evans has resigned as president of Bemrose Yattenden Inc, the 50 per cent-owned US holding company, for which all management and marketing functions are now to be provided by Renaissance Publishing, its main operating arm.

Certain BYL subsidiaries are to be sold and those remaining will directly report to Mr David Wigglesworth, chief executive of Bemrose.

Bemrose Corporation's shares slipped 10p to 172p yesterday as analysts downgraded pre-tax profits forecasts for the year from £5.65m to about £4.6m. The final dividend is expected to be held at 7p, making 11.3p (11p) for the year.

This followed a statement that BYL, jointly owned with Yattenden Investment Trust, had suffered difficulties together with the UK consumer products operations. The slowdown in the US economy, tighter credit conditions and expansion costs combined to depress the performance of BYL, which in the last financial year contributed £720,000 to group profits.

Mr David Tidmarsh has resigned from the board of Bemrose and as president of Renaissance, to be succeeded by Mr Jeffrey Meyer, formerly BYL's chief financial officer.

Sedgwick reorganises into four core businesses

By Patrick Cockburn

SEDGWICK GROUP, the largest insurance broker in Europe, is to reorganise into four core businesses: Sedgwick James, Sedgwick Broking Services, EWP Payne Companies and Sedgwick Lloyd's Underwriting Agents.

Mr David Rowland, chairman, said that the aim of the reorganisation was to give clients a fully integrated global network.

In particular the creation of Sedgwick James will further integrate Fred S James, bought by Sedgwick in 1986 and the fifth largest US broker, into the Sedgwick Group. Previously Fred S James had operated as a largely independent entity.

Mr Rowland said the unification of Sedgwick's retail insurance business in Sedgwick James would give the group greater negotiating strength. He said that at first he did not expect the reorganisation to reduce expenses.

According to Mr Chris Poun-

tain, insurance analyst at Morgan Stanley: "There is now one worldwide retail company which means it is better placed to handle multinational accounts."

The major insurance brokers in the UK have been heavily squeezed since the late 1970s when they lost their near-total control over wholesale broking in the London market.

Brokers worldwide have been hit more recently by low insurance premiums and tendency of risk managers of large companies to cut out brokers.

Insurance companies in Pennsylvania will from the beginning of February be able to carry on business in the UK under the terms of the 1988 Finance Services Act, provided they join the appropriate self-regulating organisation. Pennsylvania is the first US state to become "a designated territory" under the terms of the act.

DIVIDENDS ANNOUNCED

Company	Dividend	Ex-date	Yield
Carole Eng	1.55	Mar 3	5.9
Cooper Clarke	1.55	Mar 5	4.73
Dixons	1.6	Mar 5	4.73
Ellis & Everard	2.21	Mar 9	6.3
Goode Durrant	2.15	Feb 15	4.5
Irish Con't	1.94	-	1.9
Jersey Electric	1.05	-	25
ML Holdings	0.85	Apr 2	2.65
Neopand	0.5	-	0.4
Tomkins	2.7	-	2
Treest	2.25	Apr 10	3.25
Whewy	21	Apr 2	1.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market. ††Total of at least 5.0p forecast. ‡‡Irish pence. †††Gross through-out.



Hardanger Properties PLC

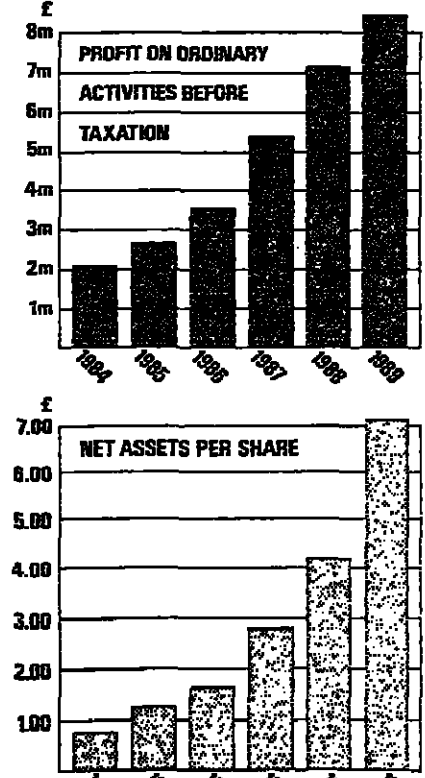
"... for the 11th successive year a significant increase in pre-tax profits, from £7.04m last year to £8.37m this year."

Derek Coombs - Chairman

The Balance Sheet has been substantially strengthened as a result of our continuing policy of selective retention of investment properties and the net asset value is now £53m, an increase of 68% on the previous year. The measure of any good organisation is its ability to continue its profit progress in a bear market as well as in boom conditions. In a perceived slow-down, new opportunities present themselves and that is why we are confident that our profit growth will continue. Shareholders should therefore be able to look forward during 1990 to increased profits, increased dividends and a further significant increase in net assets.

From the 1989 Annual Report:

- PROFITS UP 19%
- NET ASSETS UP 68%
- DIVIDEND PER SHARE UP 25%
- EPS UP 29%



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GRANVILLE SPONSORED SECURITIES

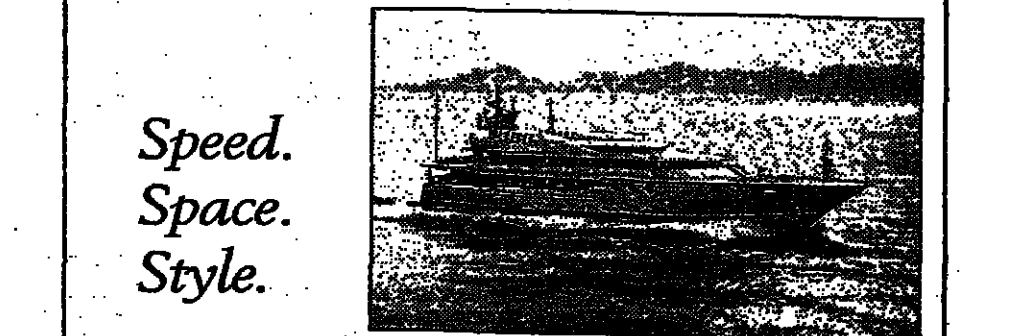
High Low	Company	Price	Change	Gross div	Yield	P/E
242	295 Am. Brit. Ind. Ord.	242	0	10.3	3.0	9.2
38	25 Arm. Ind. and Rhodes	25	0	10.3	3.0	9.2
210	149 Barron Group USD	177	0	4.3	2.4	17.2
125	102 Barron Group Co Prof USD	111	0	6.7	6.0	-
74	74 Bary Tech Ind. Ltd	71	-1	1.9	1.7	6.8
110	97 Brenthill Cons. Prof	97	0	11.0	11.2	-
104	98 Brenthill 8 1/4 % New C.C.R.P.	98	0	11.0	11.2	-
310	285 CCL Group Ordinary	305	0	14.7	4.8	3.8
176	168 CCL Group 11 1/4 % Conv	170	0	14.7	4.8	3.8
225	140 Carbo Plc USD	212	0	7.6	3.6	12.5
110	109 Carbo 7 1/2 % Prof USD	110	0	10.3	9.4	-
7.5	1.5 Magnet Go Non-Voting B Ord	1.5	0	-	-	-
5	0.75 Magnet Go Non-Voting B Ord	0.75	0	-	-	-
130	119 Hys Group	120	0	8.0	6.7	6.9
145	58 Jackson Group USD	108	0	3.6	3.3	12.6
322	261 Midhouse PV Limited	275	0	-	-	-
158	98 Robert Jenkins	179	0	10.0	6.7	5.4
667	365 Scruttons	370	0	18.7	5.1	9.8
200	270 Telford & Carville	298	-1	9.3	3.1	10.4
117	109 Telford & Carville Co Prof	104	0	10.7	10.3	-
122	75 Trelva Holdings (USM) SE	104	0	2.7	2.4	8.0
180	100 Unilever Europe Com Prof	160	0	9.3	5.8	-
295	253 Veterinary Drug Co. PLC	253	-2	22.0	6.2	9.4
370	303 W.S. Yates	303	-2	18.2	5.3	25.3

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UK COMPANY NEWS

Springs arm drags Carclo down 9%

By Vanessa Houldier

CARCLO ENGINEERING Group, the diversified engineering company, yesterday announced a 9 per cent fall in pre-tax profits from £4.33m to £3.96m for the six months to September 30, after a sharply reduced contribution from its Woodhead springs division.

Carclo said it was putting the Woodhead springs and forgings business, which was acquired in 1986, up for sale. It is the leading automotive spring manufacturer in the UK but is unlikely to meet the growing demand from manufacturers for single-sourcing of components throughout the world. The division reduced profits by 55 per cent to

£594,000. General engineering and wire increased profits by 22 per cent to £1.14m and 75 per cent to £1.21m respectively. Profits in card clothing were flat at £1.7m reflecting more difficult trading conditions in many of the world's textile markets.

Mr Stuart said that the order book of the three traditional divisions was good but this year's results would continue to be affected by Woodhead's problems.

After the adoption of SSAP 24, there was a pension charge of £79,000 compared with a restated net charge of £64,000 for the same period last year. The unexpectedly low level of

this charge resulted from an actuarial revaluation of its pension fund. The company had expected a £1.4m increase in its pension charge this year. Overall, turnover increased by 5 per cent to £55.36m. Earnings per share fell by 8 per cent to 6.5p. An interim dividend of 1.50p (1.35p) is declared.

COMMENT
Carclo can thank its actuaries that these results were no worse than expected. It had braced itself for a heavy blow from SSAP 24 but the discovery of a significant pension surplus meant that the new accounting standard could be taken easily in its stride. This

lower-than-expected charge masked a disappointing performance from Woodhead, although the three traditional divisions performed creditably. Looking ahead, Carclo's profits should benefit from the sale of Woodhead - the interest on the proceeds are likely to exceed the profits it might have made. An outcome of about £7.8m is expected for the full year, which puts the shares, up 4p to 125p, on a multiple of 9.5. That may seem unattractive but the shares are supported by a generous yield of about 7 per cent. The shares may mark time, however, until there is some good news about the Woodhead disposal.

British Vita expands with £3m French acquisition

By Andrew Bolger

BRITISH VITA, the Manchester-based polymer, foam and fibre group, has paid just over £3m for a French manufacturer of technical thermoplastic and industrial lighting components.

Vita has acquired all the issued share capital of SMD Industries, a private company which is the parent of the manufacturer, Roon.

Roon, based at Gisors, north-west of Paris, has an annual turnover of approximately £3m and net tangible assets of £1.3m. The acquisition is subject to approval by the French Government.

Mr Richard Donnell, managing director of Vita's Royalite European operations, said: "The expertise of Roon in injection and compression moulding, thermoplastic, and rigid sheet production of polymeric materials combines well with the group's existing capabilities, and provides the opportunity to further enhance the group's European engineering thermoplastic sheet business."

Mr Rod Sellers, Vita's finance director, said the group's five other factories in Europe were this year responsible for a turnover of £70m in thermoplastics, out of total group turnover of about £500m.

In all, two thirds of Vita's turnover and profits now come from continental Europe.

Audio Fidelity's reverse into Wharfedale given green light

By John Thornhill

SHAREHOLDERS of Audio Fidelity, the consumer products company, yesterday overwhelmingly supported the board's proposals for restructuring through an acquisition, rights issue and three disposals.

Audio Fidelity will now complete its acquisition of Wharfedale, the loudspeaker company, and raise £3.5m via a 5-for-3 rights issue to restore its eroded balance sheet. Stoy Hayward, the auditors, told shareholders that without some form of refinancing the company might otherwise be unable to continue trading after recording losses of £5.68m last year.

The company, which is changing its name to Wharfedale, has applied to be relisted on the Unlisted Securities Market. Trading is expected to begin today.

Several board changes will be made on the completion of the Wharfedale acquisition. Mr Iain Burton, chairman, and four other directors will resign. Three members of the management team that bought into Wharfedale in 1987 will join the revamped board and will play a prominent role in the enlarged company. Mr Keith Mellors is to become chairman, Mr Ashley Ward, chief executive, and Mr Brian Drysdale, finance director.

There was one final flurry of acrimony at the shareholders' meeting over the proposed disposal of Captain Billy's Music, the loss-making music publishing subsidiary, which Audio Fidelity bought for £1.5m in 1988 but agreed to sell to Mr Burton for a nominal £1.

One shareholder questioned the board about Captain Billy's financial record. Mr Stephen Goldberg, Audio Fidelity's chairman before he was dismissed last year, also weighed into the controversy and tangled with Mr Burton, his former business partner. But the resolution to dispose of the subsidiary was none the less approved.

Goode Durrant improves 32% to £6.7m

By Ray Bashford

GOODE DURRANT, the industrial and financial management group, lifted pre-tax profits 32 per cent from £5.47m to £7.2m during the six months to October 31.

The results were announced as uncertainty continued about the intentions of Winnedael, a private investment company which is the biggest shareholder with 19.8 per cent of the capital.

The improvement, which came from turnover up from £108m to £141m, was due pri-

marily to a stronger return from the vehicle and equipment hire operations, although all other parts of the business made slightly increased contributions.

Following a period of sustained investment in vehicles and hire equipment, the division made pre-tax profits of £3.03m (£2.98m, 1989).

Another three businesses were acquired last year as part of a £32m investment programme in the division. Mr Michael Waring, chairman,

said result from these purchases would be reflected in the annual figures.

The motor distribution business encountered tougher trading conditions but managed to lift the return to £1.3m (£1.23m). Goode Durrant, a Ford distributor, has reorganised the division's management as part of an effort to lift the performance.

Mr Waring said that house-building operations in the north-west of England helped offset the impact of reduced

profits in the south-east where conditions remain difficult. Overall margins were lower than the 20 per cent achieved in the previous corresponding half.

Higher interest rates benefited the banking and finance division with the contribution rising to £1.2m (£811,000).

The interim dividend is increased to 2.15p (1.75p). The improvement in the earnings per share matched the rise in pre-tax profits and stood at 8.5p (8.5p) a share.

Treatt beats prospectus expectations with £1.4m

TREATT, the Suffolk-based essential oil and aromatic chemical supplier, unveiled pre-tax profits of £1.37m for the year to September 30, slightly exceeding the forecast made last June in the USM flotation prospectus.

Mr Geoffrey Bovill, chairman, said research and development would continue to focus on widening the product range.

The outcome - a rise of 24 per cent on the previous year - was posted on turnover of

£11.96m (£10.32m). Net profit margins improved from 10.7 per cent to 11.4 per cent. After tax, of £894,487 (£716,272), earnings per 10p share were up from 7.95p to 8.22p.

A proposed final dividend of 2.25p makes a total of 3.25p for the year.

However, Mr Bovill warned that sales for the first three months of the current year had been disappointing, reflecting customers' de-stocking and lower sales of orange oil.

Riva sells Hugin Sweda trading subsidiaries

By Andrew Bolger

RIVA GROUP, a supplier of electronic-point-of-sale equipment, has sold the trading subsidiaries of the Hugin Sweda Group in Mexico, Venezuela and Canada.

Riva bought Hugin Sweda, a troubled competitor in the same sector, in September for £2m. It has sold the subsidiaries for \$8m (\$5m) and the repayment of borrowings of £2.2m.

The purchaser was Sweda Group Incorporated (SGI),

which formerly conducted the trading operations of Hugin Sweda in the US and was purchased from Hugin Sweda by Mr Andrew Ong last August.

As part of the deal, SGI has been granted a non-exclusive licence to manufacture certain Hugin Sweda products and has agreed to purchase \$2m-worth of products from Riva during 1990.

The disposals will reduce Riva's group borrowings to about £2m.

Wates City

Wates City of London Properties is forming a joint venture with Kowa Real Estate Investment, including development of two existing properties in which Wates already has interests. Kowa will subscribe some £12.5m of additional equity into the subsidiaries owning the properties, and Wates will receive not less than £20m repayment of debt from those companies.

Allied Leisure's £13m Wimpy sale to GrandMet

ALLIED LEISURE plans to sell its 20 Wimpy restaurants to Grand Metropolitan's Burger King UK subsidiary for £13m cash, writes Andrew Bolger.

The restaurants will be converted into Burger King outlets.

Allied, which came to the USM in 1987 with 16 Wimpy franchises, intends to concentrate on ten-pin bowling centres, night clubs and restaur-

ants.

It is expected that by the end of this year the continuing conversion programme of Wimpy counter-service restaurants will take the number of company-managed and franchised Burger King restaurants in the UK to more than 200.

Allied has now opened five ten-pin bowling centres under the Megabowl banner.

Flextech doubles

Flextech, the USM-quoted oil services group, continued its trend of improved profitability by doubling profits from a restated £1.03m to £2.21m in the six months to September 30 1989.

The company has clawed its way back from 1987-88 losses of £258,000 to profits of £2.58m in the year to March 31 1989.

Turnover in the period under review rose to £14.79m (£13.04m), with earnings advancing to 5p (2.2p) per share.

Charter Consolidated makes three US acquisitions

By Kenneth Gooding, Mining Correspondent

CHARTER CONSOLIDATED, the UK industrial holding group which is part of a worldwide network of companies under the influence of Anglo American Corporation of South Africa, has spent more than \$40m (£24.5m) on three US acquisitions for its Pandrol railway equipment subsidiary.

Mr Jeff Herbert, Charter's new chief executive, said the acquisitions should double Pandrol's annual sales and earnings - to about £50m and £10m respectively.

The deals would involve the outlay of roughly \$15m cash, \$15m in deferred payments while \$10m would be financed

by debt, Mr Herbert said.

Charter has acquired:
● A 75 per cent interest in Dapco Industries, which specialises in ultrasonic detection and analysis of rail flaws;
● 80 per cent of Jackson Jordan, a major supplier of rail tamping and switch grinding equipment;

● The 50 per cent it does not already own in Speno Rail Services, which contracts rail grinding services for railways throughout North America. Jackson Jordan & Speno will be merged to form Pandrol Jackson, offering opportunities for rationalisation, said Mr Herbert.

NEWS DIGEST

Reg Vardy motors to £2.3m

IN ITS first set of results since its placing on the main market last October, Reg Vardy, the north of England-based multi-franchise motor group, announced interim profits of £2.32m.

The taxable outcome, for the half year to end-October, com-

pared with £2.09m at the same stage of 1988 and £3.81m for the 12 months to April 30.

Turnover rose to £93.8m (£87.55m), resulting a significant increase in used car sales. Operating profits expanded 47 per cent on specialist cars and 11 per cent on volume vehicles. Earnings per share worked through at 6.16p (5.79p). The company intends to pay a dividend for the full year.

Jersey Electricity rises 42% to £7.2m

The Jersey Electricity Company lifted taxable profits by 42 per cent from £5.03m to £7.15m in the year to September 30. The company generated an improvement in turnover from £26.78m to £30.74m - a rise of 15 per cent.

The proposed final dividend is an unchanged 18p gross to make a total of 27p (25p) gross for the year.

Tax took £1.49m (£756,000).

CEI pays \$3m for motion control group

Cambridge Electronic Industries has acquired, through its wholly-owned US subsidiary Tasc Drive, Control Products Group of Electrical South for \$3m (£1.82m).

Control Products designs, manufactures and sells worldwide a range of AC inverters from Greensboro, North Carolina. In 1989 sales totalled \$4.5m and trading profits were \$400,000.

CEI said it had designated

47% profit growth at Cooper Clarke

Cooper Clarke Group, a distributor of building products which joined the USM last September, has increased turnover 44 per cent and pre-tax profit 47 per cent in the half year ended October 31 1989.

Turnover reached £11.85m (£8.24m) and profit came to £596,000 (£406,000). With earnings at 6.85p (4.4p) the interim dividend is the forecast 1.5p.

Mr Robert Ashby, chairman, said progress was expected to continue throughout the second half the period had started well with an increase in gross margins.

The group had continued to develop and expand the sales of a growing range of specialised building products.

Neepsend sharply ahead to £436,000

A drop in interest charges helped Neepsend, the Sheffield-based engineering, tool production and metal processing group, achieve a steep climb in pre-tax profits from £116,000 to £436,000 in the six months to September 30 1989. However, this followed a fall from £747,000 to £501,000 in the year to March 31.

Turnover was sharply down

at £8.46m (£9.85m), leaving trading profit before exceptional items and interest at £565,000 (£322,000). Interest payable declined from £206,000 to £129,000. Tax took £112,000 (£23,000) and there was an extraordinary loss of £64,000 (nil).

Earnings rose to 2.12p (0.68p) per share and the interim dividend is raised to 0.5p (0.4p).

Irish Continental advances 81%

Irish Continental Group, the Dublin-based ferry operator, hoisted pre-tax profits by 81 per cent from £1823,000 to £3,314,000 (£1.43m) in the year ended October 31 1989.

Tax charge was £131,000 (£41,000 credit) and earnings per 50p share came out at 8.3p (6p). The recommended dividend is increased from 1.875p to 1.9p. The company's shares are traded on the Third Market.

Acquisitions help Wheway rise 51%

Helped by acquisitions, Wheway lifted its pre-tax profit by 51 per cent from £5.38m to £8.05m in the year ended September 30 1989.

The outcome came on turnover ahead 16 per cent to £90.1m (£77.85m). Earnings moved up to 10.74p (8.17p) and the final dividend is 2p for a total of 3p (2.2p). The group is engaged in engineering and forging.

DRG public limited company NOTICE OF REDEMPTION

To the holders of the £40,000,000 6% per cent Subordinated Convertible Bonds 2002 of DRG public limited company ("the Company") convertible into Ordinary Shares of the Company.

NOTICE IS HEREBY GIVEN that at a meeting of the above bondholders on Wednesday, 3rd January, 1990, the Company was authorised by extraordinary resolution to cancel with immediate effect the conversion rights attaching to such bonds and to redeem all outstanding bonds on Wednesday, 24th January, 1990 ("the Redemption Date") at £1,199.19 per bond of £1,000.

Payment will be made upon presentation and surrender of the bonds at the below listed Paying Agents, together with all appurtenant coupons, if any, maturing subsequent to the Redemption Date.

THE PAYING AGENTS

The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

Chase Manhattan Bank (Switzerland)
63 Rue du Rhone
CH-1204 Geneva
Switzerland

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg-Grund
Luxembourg

Banque Bruxelles Lambert S.A.
Avenue Marix 24
B-1050 Brussels
Belgium

Dated 9th January, 1990

Thames Water Plc

Interim Results in line with Prospectus Forecasts

CHAIRMAN'S STATEMENT

I am delighted that Thames Water has attracted such a large number of shareholders, over 650,000 at the start of dealing.

The results for the half year ended 30 September 1989 are shown below. They are as expected. They are consistent with the profit forecast for the full year contained in the Prospectus, namely a pre-tax profit on ordinary activities of at least £170M (£178M on a pro forma basis). We are confident of achieving this.

As Thames Water was transferred to the private sector part way through the current financial year, the directors expect to recommend a single dividend at the year end of 9.72p per ordinary share, as per the Prospectus.

We have an experienced, competent and progressive Board and management with high professional standards throughout the company. We all look forward to serving our shareholders for many years to come.

On 15 December 1989 we completed the acquisition of PWT from Portals Holdings PLC. Results from PWT will not significantly impact on our figures until next year.

A further measure the Board took in December was the signing of a substitute funding facility for the Utility business through a

£75 million loan agreement with the European Investment Bank.

In addition, on 19 December we signed an innovative "extended arm" contract with Taylor Woodrow Management Contracting Ltd, setting out terms and conditions under which they will carry out the design, management and construction of a number of major improvement works at sewage and water treatment plants.

ROY WATTS Chairman

GROUP RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1989

	£M (unaudited)
TURNOVER	297.2
OPERATING PROFIT	72.7
Other income	5.2
Net interest receivable	3.5
PROFIT ON ORDINARY ACTIVITIES PRE AND POST TAX	81.4
Extraordinary items	(16.3)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	65.1

NOTES

1. BASIS OF PREPARATION
The interim accounts, which are unaudited, for the six months ended 30 September 1989 for the Group have been prepared on the basis of the accounting policies set out in the prospectus dated 22 November 1989 containing Listing Particulars of Thames Water Plc and are consistent with the accounting policies adopted for the year ended 31 March 1989.

Results for the six months ended 30 September 1988 have not been presented. The directors believe that comparison with this prior period would not be meaningful in view of changes during the current year in capital structure and regulation and in the level of infrastructure renewals expenditure and other costs associated with the Company's new status as a plc.

The financial information contained in this interim statement does not amount to full accounts within the meaning of Section 254 of the Companies Act 1985.

2. PRO FORMA EARNINGS

Pro forma profit on ordinary activities after taxation £78.4M.

Pro forma earnings per Ordinary Share 20.41p.

Pro forma earnings per Ordinary Share have been calculated by dividing pro forma profit on ordinary activities after taxation by the 364,208,000 Ordinary Shares in issue since 20 November 1989. Pro forma profit attributable to shareholders has been calculated by making an adjustment to interest of £6.2M as if the new capital structure had been in place since 1 April 1989 and by including the pro forma taxation charge of £9.2M (note 4).

Actual earnings per Ordinary Share have not been presented: the number of shares in issue during the six months ended 30 September 1989 and the actual profits for that period are not considered to be

representative of the Group's position following implementation of the new capital structure.

Pro forma information in respect of the six months ended 30 September 1988 has not been presented. The directors believe that the application of pro forma adjustments to periods prior to the current year would be subjective and inappropriate.

3. EXTRAORDINARY ITEMS
Extraordinary items comprise privatisation and restructuring costs and certain one-off pension costs.

4. TAXATION

Prior to vesting in September 1989, Thames Water Authority was exempt from UK income, corporation and capital gains tax on all income and chargeable gains. Until such time as a liability to mainstream corporation tax or deferred tax arises, it is expected that the only tax charge to the profit and loss account will be the write off of irrecoverable advance corporation tax.

In computing pro forma earnings, the pro forma taxation charge has been derived by applying the estimated effective rate of tax as a proportion of profits for the year ending 31 March 1990 (based on the pro forma forecast contained in the prospectus) to the interim results.



Thames Water Plc, 14 Cavendish Place, London W1M 8DJ.

How food has changed the face of Europe

Ceausescu's downfall was due more to shortages than to his undemocratic excesses

cold in December, yesterday helped to depress the price of gas oil. It was last month's cold wave that led to the extraordinary advance in prices which reached a peak last week.

Many analysts have for some time believed the market would be over-supplied with crude oil in the first quarter of the year, given the high level of oil production put on the market by the Organisation of Petroleum Exporting Countries.

The Middle East Economic Survey, the Cyprus-based weekly, yesterday estimated

that Opec produced 24m barrels a day in December. Even if Opec managed to cut production to a 22.5m b/d average in the first quarter of the year, this is expected to exceed demand by a considerable margin.

However, analysts have persistently under-estimated the strength of the market over the past year.

freeze mo
correspondent

The two measures should produce an effective Norwegian minimum price of about Nkr42 per kilo, he said. In a further move to reduce production, farmers producing more than 25 kilos of salmon per cubic metre of cage space will have to pay an additional levy of Nkr5 a kilo. A limit of 300 tonnes of annual output per farm is to be set.

Norway's output was between 110,000 and 115,000 tonnes in 1989, but would have been higher if about 40,000


tonnes had not been kept in the cages to be harvested this year. Mr Ustad thought annual output would be about 150,000 tonnes both this year and next.

be affected by last night, according to Amsterdam Port.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium	+ 8,325	to 66,825
Copper	+ 875	to 108,975
Lead	- 325	to 22,950
Nickel	+ 300	to 6,798
Zinc	+ 6,500	to 87,076
Tin	+ 1,015	to 10,035

FARMER'S VIEWPOINT



By David Richardson

had dispatched cargoes of

As an aside, however, it should be noted that the EC's ability to respond to such needs will be limited by the

availability of commodities surplus to domestic requirements. Europe's intervention stores for cereals, butter, beef and most other basics are — contrary to popular belief — almost empty at the present time.

Meanwhile, the new democracies of eastern Europe are also crying out for hard currencies with which to buy Western consumables, and here again the West has begun to respond. At the informal summit held in Paris on November 18, it was decided to set up a stabilisation fund for Poland of

Beyond that, however, the EC Commission, acting independently of the European Parliament and the Council of Ministers, as it apparently is

By John Barham in Sao Paulo

forecasts, adding to the gloom

forecasts, adding to the gloom besetting the industry. Instead of an expected harvest of 227m tonnes of sugar cane, Brazil's plantations are now expected to harvest only 205m tonnes. These figures, culled from reports by the sugar and alcohol industry's government-

sponsored body - IAA - which regulates the sector, were published by Gazeta Mercantil, a business newspaper. In spite of this year's disappointing harvest, the figures point to a crop recovery in the 1990-91 sugar year, which begins in May.

Recent heavy rainfall throughout Brazil may produce a harvest of over 270,000 tonnes next year. Brazil is struggling with a critical shortage of sugar-cane, which has led to a drastic decline in the output of alcohol, which fuels over a quarter of Brazil's cars. Quotas for alcohol have been expanding

In 1983/89, the overall rate of consumption growth fell to 0.67 per cent, according to Man. This was the smallest increase since 1980/81, when

consumption fell as a result of the 1980 price explosion. "Current world market prices, although much lower than in 1980, have deterred offtake," it

ing to a decline in yields. Low prices, which are set by government decree and a shortage

Some producers also realised unprofitable sugar

replanted unprofitable sugarcane with grains, further reducing cane output. Nonetheless, IAA officials suspect that the farmers are overstating their plight. One official even doubted the quality of the

● **Matif**, the French futures exchange, yesterday cut its white sugar transaction fee to FF2 per contract from FF11. Volumes in white sugar fell by 8.8 per cent last year to 321,463 contracts, after having declined by 27.4 per cent in

● Brazil is closer to resuming methanol imports after that the University of Sao Paulo reported that imported methanol can safely be added to Brazil's fuel supplies for up to six

LONDON METAL EXCHANGE

	Close	Previous
Aluminum, 99.97% purity (\$ per tonne)		
Cash	1609-11	1627-30
3 months	1612-4	1626-7
Copper, Grade A (\$ per tonne)		
Cash	1531-2	1530-2
3 months	1525-6	1527-8
Lead (\$ per tonne)		
Cash	438-9	434-6
3 months	429-9	428-5.5
Nickel (\$ per tonne)		
Cash	780-50	8075-100
3 months	770-50	7850-50
Tin (\$ per tonne)		
Cash	8930-810	8780-810
3 months	7025-30	8910-20
Zinc, Special High Grade (\$ per tonne)		
Cash	1335-45	1345-50
3 months	1268-60	1295-300
Zinc (\$ per tonne)		
Cash	1330-40	1300-15

LME Closing 51250		12,000/0
SPT: 1.8525		3 months: 1.62
POTATOES - SFE		
	Close	Previous High/Low
Apr	201.0	201.1 203.0 200.0
May	226.5	226.5 226.0 225.0
Turnover 136 (216) lots of 40 tonnes.		
SOYABEAN MEAL - SFE		
	Close	Previous High/Low
Feb	138.50	138.50 139.00 138.00
Apr	139.50	139.50 139.00 139.00
Turnover 32 (56) lots of 20 tonnes.		
FREIGHT FUTURES - SFE \$10/in		
	Close	Previous High/Low
Jan	1682	1675 1680 1690
Feb	1698	1694 1695 1698
Mar	1682	1675 1680 1690

	Jul	Aug	Sep	Oct
Jul	1440	1427	1438	1430
Aug	1462	1465		
BF1	1637	1619		
Turnover	474 (359)			

GRAINS - SWE			
Wheat	Close	Previous	High/Low
Jan	113.50	113.85	113.50
Mar	117.00	117.40	117.20 117
May	120.75	121.10	120.90 120
Jun	122.40		122.40

Barley			
Barley	Close	Previous	High/Low
Jan	111.80	111.80	
Mar	113.15	113.30	
May	115.25	115.40	

Turnover: Wheat 311 (168), Barley 20
 Turnover loss of 100 tonnes.

PIQS - SFE		[Cash Settlement]	
	Close	Previous	High/Low
Feb	106.5	106.0	106.0
Apr	107.5	108.0	107.5 107.
Jun	108.0	107.5	107.5
Turnover 108 (\$2) lots of 3,250 kg			

MARKETS

As metals prices fell slightly in the silver and platinum despite a US dollar, reports Drexel Lambert, London traders made, most of the days volume. Fund helped copper futures gain 185 March. The soya featured sided trading in the sugar. Coffee moved down but both had slow sessions. The livestock market limit in the bellies on carryover from last week. Hogs and cattle local markets. The grains had a day of quiet action. Soybeans posted a modest rally due to commission house activity. Commission houses played both sides of the cotton market. Orange juice and sugar moved up 1935 basis. The energy complex continued sharply on massive liquidation, that some refineries may be

New York			
100 troy oz.: \$/troy oz.			
Close	Previous	High/Low	
403.0	406.5	404.7	404.7
405.0	408.5	407.5	404.7
407.2	410.0	0	0
410.0	413.5	412.6	406.5
417.5	418.5	417.2	415.0
419.5	423.0	421.2	420.6
424.2	427.8	0	0
426.2	432.6	431.4	429.6
434.3	437.7	436.5	436.0

Mini 50 troy oz.: \$/troy oz.			
Close	Previous	High/Low	
485.1	491.8	481.5	484.0
492.9	498.9	490.0	491.2

[illegible]

	1821.4	1828.3	1809.7	1987.4
JONES (Base: Dec. 31 1974 = 100)				
	Jan 5	Jan 4	month ago	yr ago
	128.38	127.73	127.32	143.89
de	130.50	130.04	129.56	145.95

Chicago

SOYABEANS 6,000 bu min; cents/50lb bush				
	Close	Previous	High/Low	
Jan	570 5/8	564 1/4	571 1/8	56 1/2
Mar	583 1/4	577 1/8	584 1/4	57 1/2
May	592 1/2	580 1/2	595 1/2	58 1/2
Jul	607 7/8	601 1/8	608 1/8	59 1/2
Sep	611 1/8	608 1/2	611 1/8	59 1/2
Oct	610 1/8	609 1/2	610 1/8	59 1/2
Nov	614 1/4	611 1/4	617 1/4	59 1/2
Dec	628 1/4	625 1/8	629 1/4	59 1/2
Mar	636 1/4	634 1/4	638 1/4	59 1/2

SOYABEAN MEAL 50,000 lb; cents/lb				
	Close	Previous	High/Low	
Jan	19 25	18 83	19 28	18 1/2
Mar	19 84	19 03	19 88	18 1/2
May	20 01	19 43	20 02	18 1/2
Jul	20 32	19 73	20 40	18 1/2
Sep	20 58	19 83	20 65	18 1/2
Oct	20 25	19 85	20 23	18 1/2
Nov	20 35	19 84	20 35	18 1/2
Dec	20 55	20 10	20 55	18 1/2

SOYABEAN MEAL 100 ton; \$/ton				
Jan	19 25	18 83	19 28	18 1/2
Mar	19 84	19 03	19 88	18 1/2
May	20 01	19 43	20 02	18 1/2
Jul	20 32	19 73	20 40	18 1/2
Sep	20 58	19 83	20 65	18 1/2
Oct	20 25	19 85	20 23	18 1/2
Nov	20 35	19 84	20 35	18 1/2
Dec	20 55	20 10	20 55	18 1/2

	Close	Previous	High/Low
Jan	779.3	779.9	778.7 17
Feb	778.8	778.8	180.2 17
Mar	180.3	180.1	180.5 17
Apr	180.5	182.1	182.6 18
Aug	183.1	183.0	183.0 18
Sept	184.5	184.0	184.5 18
Oct	185.0	184.0	185.5 18
Dec	187.0	186.5	188.0 18
MAIZE 5,000 bu mtr; cents/50lb bushel			
	Close	Previous	High/Low
Mar	233.0	237.8	235.0 23
May	243.0	244.0	243.0 24
Aug	248.0	248.4	248.0 24
Sept	248.0	247.4	248.0 24
Dec	248.0	247.8	249.0 24
Mar	253.0	254.2	255.0 25
Dec	258.0	258.0	258.0 25
WHEAT 5,000 bu mtr; cents/50lb bushel			
	Close	Previous	High/Low
Jul	470.0	468.8	470.0 46
Aug	470.0	469.0	470.0 46
Jul	361.4	361.7	361.7 36

	Cash	Settle	30-day	Mar
Jan	\$670	\$684	\$694	36
Feb	\$670	\$674	\$674	0
Mar	\$674	\$670	0	0

LIVE CATTLE 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	76.67	76.87	76.75	76
Feb	76.50	76.50	75.50	48
Mar	76.50	76.50	75.50	48
Apr	71.65	71.82	71.82	51
Aug	71.47	71.38	71.22	71
Sep	71.88	71.88	71.88	71
Oct	72.56	71.57	71.50	71
Dec	72.56	72.56	72.56	71

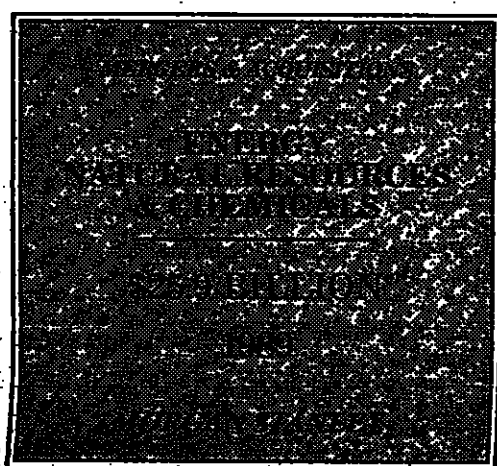
PORK BELT LBS 30,000 lb; cents/lb				
	Close	Previous	High/Low	
Jan	51.62	52.67	51.80	60
Feb	52.42	52.20	52.30	48
Apr	48.47	51.55	52.62	51
Aug	52.77	52.20	52.45	51
Sep	52.47	52.47	52.45	51
Oct	48.37	48.02	48.00	47
Dec	47.60	47.45	47.20	47

PORK BELLS 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	51.62	52.67	51.80	60
Feb	52.42	52.20	52.30	48
Apr	48.47	51.55	52.62	51
Aug	52.77	52.20	52.45	51
Sep	52.47	52.47	52.45	51
Oct	48.37	48.02	48.00	47
Dec	47.60	47.45	47.20	47

	Close	Previous	High/Low	
Feb	53.47	53.47	55.47	54.47
Mar	53.40	53.40	55.40	54.40
May	55.80	53.80	55.80	54.80
Jul	56.42	54.42	56.42	54.42
Aug	55.12	53.30	55.30	53.30
Feb	55.95	54.30	55.30	53.30

Morgan Stanley M&A

\$149 Billion in 1989



Montedison S.p.A.

and
Ente Nazionale Idrocarburi
joint venture
\$7,890,000,000

Texaco Canada Inc.
(subsidiary of Texaco Inc.)
acquisition of a 78% interest by
Imperial Oil Limited
(subsidiary of Exxon Corporation)
\$3,785,973,000

Smurfit International B.V.
(subsidiary of Jefferson Smurfit Group plc)
and
The Morgan Stanley Leveraged
Equity Fund II, L.P.
pending acquisition of
Jefferson Smurfit Corporation and
Container Corporation of America
\$3,250,000,000

Texaco Inc.
corporate restructuring
\$2,400,000,000

Northeast Utilities
offer to purchase
Public Service Company
of New Hampshire
\$2,300,000,000

TransCanada PipeLines Limited
spinoff and corporate restructuring of
Encor Inc.
\$1,474,000,000

Société Nationale Elf Aquitaine
acquired
Pennwalt Corporation
\$1,241,000,000

Inco Limited
recapitalization
\$1,060,000,000

Vista Chemical Company
recapitalization and share
repurchase rights offer
\$600,000,000

Tana Production Corporation

acquired by
Texaco Inc.
\$476,000,000

The Bostik Division of
The Black & Decker Corporation
pending acquisition by
ORKEM S.A.
\$345,000,000

Montedison S.p.A.
repurchase of a minority stake in
Ausimont N.V.
\$295,000,000

Alzo N.V.
acquired
Reliance Universal Inc.
(subsidiary of Tyler Corporation)
\$275,000,000

Columbia LNG Corp.
(subsidiary of The Columbia Gas System, Inc.)
pending acquisition of a 50% interest by
Shell Oil Company
\$110,000,000

The Newhall Land and Farming
Company
acquired
Newhall Resources
\$30,680,000

The Chapman Chemical Company
(subsidiary of Nobel Industries Sweden AB)
acquired by
Fermenta AB
Price not disclosed

Intermedios Orgánicos S.A.
(associate of Imperial Chemical Industries PLC)
acquired by
Dainichiseika Colour &
Chemicals Mfg. Co., Ltd.
Price not disclosed

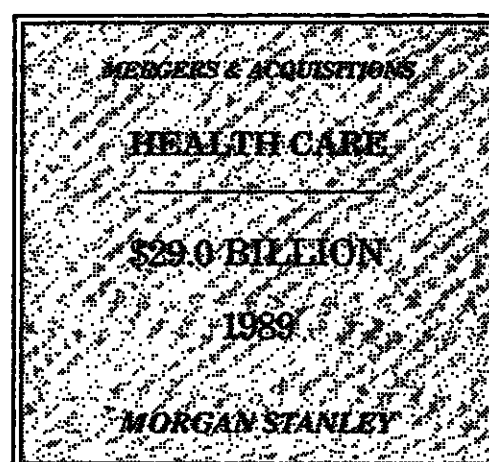
Kenogard AB
(subsidiary of Nobel Industries Sweden AB)
acquired by
Rhône-Poulenc S.A.
Price not disclosed

Louisiana Intrastate Gas Corporation
and related businesses of Tenneco Inc.
acquired by
LIG Acquisition Corporation
Price not disclosed

Natural Gas Clearinghouse Inc.
(subsidiary of Morgan Stanley Group Inc.)
acquired by
Apache Corporation and
Noble Affiliates, Inc.
Price not disclosed

OmniChem s.a.
(subsidiary of Gechem s.a.)
acquired by
Ajinomoto Co., Inc.
Price not disclosed

The Gypsum Wallboard Business
of Weyerhaeuser Company
acquired by
Boral Industries, Inc.
Price not disclosed



Squibb Corporation
merged with
Bristol-Myers Company
\$12,207,000,000

Hospital Corporation of America
acquired by
Investor Group led by Management
\$5,759,271,000

Fujisawa Pharmaceutical Co., Ltd.
acquired
Lyphomed, Inc.
\$818,547,000

The Ophthalmic Surgical Products
Business of The Cooper Companies, Inc.
acquired by
Alcon Laboratories, Inc.
(subsidiary of Nestle S.A.)
\$325,000,000

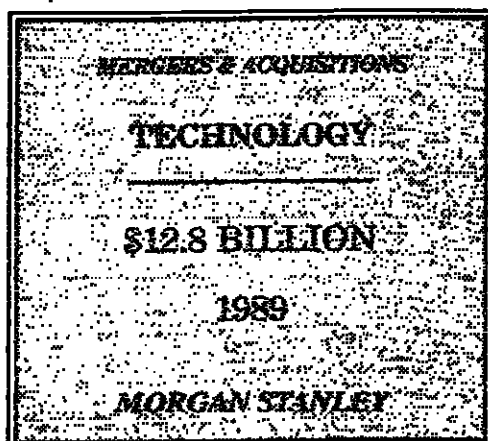
American Cyanamid Company
acquired
Praxis Biologics, Inc.
\$229,522,000

BUPA Health Services Limited
(subsidiary of The British United Provident
Association Ltd.)
acquired
The United Kingdom Hospitals and
Nursing Homes of Hospital Corporation
of America
\$142,000,000

Eli Lilly and Company
acquired
Devices for Vascular Intervention Inc.
\$50,000,000

The Dow Chemical Company
acquired a controlling interest in
Marion Laboratories, Inc.
Price not disclosed

Infusioncare Inc.
(subsidiary of Avon Products, Inc.)
acquired by
National Medical Care Inc.
(subsidiary of W.R. Grace & Company)
Price not disclosed



McCaw Cellular Communications, Inc.
pending acquisition of
LIN Broadcasting Corporation
\$6,900,000,000

BellSouth Corporation
acquired
The Cellular and Paging Businesses
of Mobile Communications Corporation
of America
\$710,000,000

Apollo Computer Inc.
acquired by
Hewlett-Packard Company
\$477,258,000

Morino, Inc.
and
Duquesne Systems Inc.
have merged to form
LEGENT Corporation
\$455,534,000

Hitachi, Ltd.
and Electronic Data Systems Corporation
(subsidiary of General Motors Corporation)
acquired
National Advanced Systems Corporation
(subsidiary of National Semiconductor Corporation)
\$418,000,000

Management Science America, Inc.
pending acquisition by
The Dun & Bradstreet Corporation
\$393,000,000

Bailey Controls
(operating unit of McDermott International Inc.)
acquired by
Finmeccanica S.p.A.
\$295,000,000

Channel International Corporation
(controlled by a Taiwanese Investor Group)
pending acquisition of
Wyse Technology Inc.
\$260,630,000

North-West Telecommunications, Inc.
pending acquisition by
PacifiCorp
\$250,000,000

Matra Aerospace, Inc.
acquired
The Space and Defense Electronics
Businesses of Fairchild Industries, Inc.
(subsidiary of Banner Industries, Inc.)
\$245,000,000

Criton Technologies
(owned by Dyson-Kissner-Moran Corporation)
and an interest in Esterline Corporation
(held by Dyson-Kissner-Moran Corporation)
acquired by
Esterline Corporation
\$140,000,000

Archive Corporation
acquired
Maynard Electronics
\$27,800,000

AT&T
acquired
Paradyne Corporation

AT&T
acquired a 20% interest in
Italtel Società Italiana
Telecomunicazioni SpA
and sold a 20% interest in
AT&T Network Systems
International B.V.
to
Società Finanziaria Telefonica-per Azioni
Price not disclosed

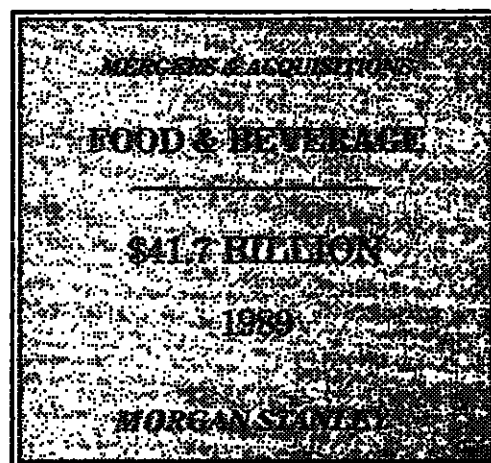
AT&T
exchanged its holdings in
Olivetti
for a minority investment in
CIR S.p.A.
Price not disclosed

Arbed S.A.
and
Furukawa Electric Co., Ltd.
pending acquisition of
The International Businesses of
Yates Industries, Inc.
(subsidiary of Square D Company)
Price not disclosed

Cray Research, Inc.
spinoff of its subsidiary
Cray Computer Corporation
Price not disclosed

NKF Holding N.V.
pending acquisition of a 51% interest by
Nokia Corporation
Price not disclosed

Sanmina Holdings Inc.
(organized by Morgan Stanley Venture Capital
Fund L.P. and Management)
acquired
Sanmina Corporation
Price not disclosed



Kohlberg Kravis Roberts & Co.
acquired
RJR Nabisco, Inc.
\$29,103,000,000

Grand Metropolitan PLC
acquired
The Pillsbury Company
\$5,773,196,000

**Five European Food Businesses
of RJR Nabisco, Inc.**
(controlled by Kohlberg Kravis Roberts & Co.)
acquired by
BSN
\$2,500,000,000

Holly Farms Corporation
acquired by
Tyson Foods, Inc.
\$1,455,100,000

**The Domestic Brewing Related Assets
of The Stroh Brewery Company**
pending acquisition by
Adolph Coors Company
\$425,000,000

**Bumble Bee Seafoods Inc.
of The Pillsbury Company**
(subsidiary of Grand Metropolitan PLC)
acquired by
Uni Group Inc.
\$269,000,000

**Van de Kamp's Frozen Seafoods
Division of The Pillsbury Company**
(subsidiary of Grand Metropolitan PLC)
acquired by
Whitman Corporation
\$140,000,000

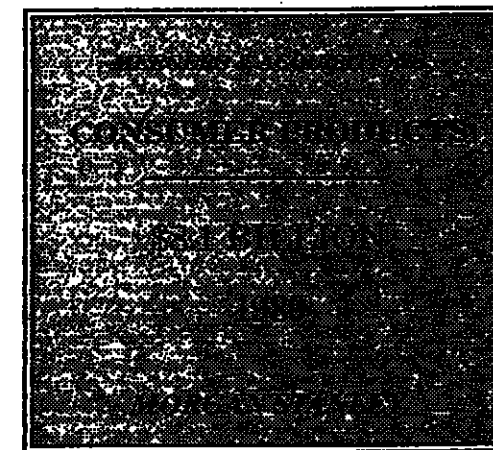
**C. Itoh & Company and
Nissin Food Products Co. Ltd.**
acquired
Winner Food Products, Limited
(subsidiary of TLC Group L.P.)
\$31,800,000

Santa Rosa s.r.l.
(subsidiary of Joh. A. Benckiser GmbH)
acquired by
CPC Italia S.p.A.
(subsidiary of CPC International)
Price not disclosed

**Société Parisienne de
Boissons Gazeuses S.A.**
(subsidiary of Pernod Ricard S.A.)
acquired by
The Coca-Cola Company
Price not disclosed

The Sundor Group Inc.
(subsidiary of Elders Investments Ltd.)
acquired by
The Procter & Gamble Company
Price not disclosed

**"21" Brands, Distillerie
Riunite di Liquori S.p.A. and
Mount Gay Distilleries Ltd.
of McKesson Corporation**
acquired by
Remy & Associates S.A.
Price not disclosed



Avon Products, Inc.
takeover defense
\$3,795,000,000

The Coleman Company, Inc.
acquired by
MacAndrews & Forbes Holdings Inc.
\$663,943,000

SSMC Inc.
pending acquisition by
Semi-Tech Microelectronics
(Far East) Limited
\$407,000,000

Shaklee Corporation
acquired by
Yamanouchi Pharmaceutical Co., Ltd.
\$392,000,000

Minnetonka Corporation
acquired by
Unilever N.V. and Unilever PLC
\$376,658,000

Shaklee Japan K.K.
(subsidiary of Shaklee Corporation)
acquisition of a 73% interest by
Yamanouchi Pharmaceutical Co., Ltd.
\$350,000,000

Shaklee Corporation
special dividend
\$263,000,000

Parfums Stern
(subsidiary of Avon Products, Inc.)
pending acquisition by
Safrep
(affiliate of Sanofi S.A.)
\$210,000,000

Amer Group Ltd.
acquired
Wilson Sporting Goods Co.
\$200,000,000

**The Consumer Products Group of
Hart Holding Company Incorporated**
acquired by
Dawson International PLC
\$149,000,000

**Olympic HomeCare Products and
Lucite HomeCare Products Divisions
of The Clorox Company**
acquired by
PPG Industries Inc.
\$130,000,000

**The Soft Tissue Operations
of Bührmann-Tetterode N.V.**
acquired by
James River Corporation
\$95,000,000

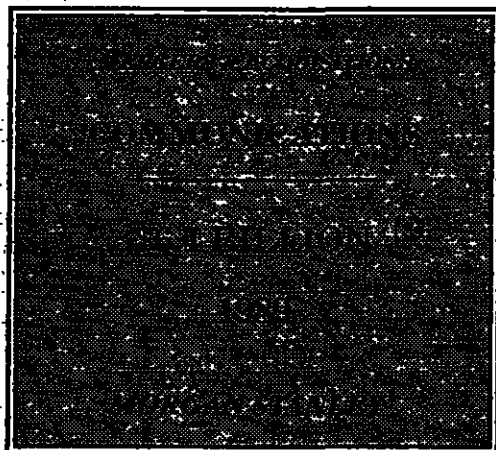
**The Medical Division and
Fragrance Marketing Group
of Minnetonka Corporation**
(subsidiary of Unilever N.V. and Unilever PLC)
acquired by
Tsumura International Inc.
\$66,500,000

MORGAN STANLEY

The European Contact Lens Business of The Cooper Companies, Inc.
acquired by
Pilkington PLC
\$35,000,000

American Safety Razor Company
acquired by
The Jordan Company
Price not disclosed

Evyan Perfumes
acquired by
Chesebrough-Pond's Inc.
(subsidiary of The Unilever Group)
Price not disclosed



Rogers U.S. Holdings Limited
acquired by
KBL Cable, Inc.
\$1,865,000,000

The Thomson Corporation
acquired by
The Lawyers Co-operative Publishing Company
\$810,000,000

Investor Group led by Marvin Davis
acquired by
Spectradyn Inc.
(controlled by SPI Holding Inc.)
\$635,000,000

Continental Cablevision, Inc.
recapitalization
\$493,000,000

The Illinois Operating Group of Centel Cable Television Company
(subsidiary of Centel Corporation)
acquired by
Jones Intercable Incorporated
\$340,000,000

The Southeastern Florida Operating Group of Centel Cable Television Company
(subsidiary of Centel Corporation)
pending acquisition by
Adelphia Communications Corporation
\$310,000,000

The Central Florida Operating Group of Centel Cable Television Company
(subsidiary of Centel Corporation)
acquired by
American Television and Communications Corporation
\$251,000,000

Independent Television Publications
(owned by the Independent Television Companies)
acquired by
Reed International P.L.C.
\$235,000,000

The Ohio Operating Group of Centel Cable Television Company
(subsidiary of Centel Corporation)
acquired by
Warner Cable Communications Incorporated
\$211,000,000

The Michigan Operating Group of Centel Cable Television Company
(subsidiary of Centel Corporation)
acquired by
C-TEC Corporation
\$210,000,000

Omnicom Group Inc.
acquired by
Boase Massimi Pollitt PLC
\$202,000,000

The Kentucky Operating Group of Centel Cable Television Company
(subsidiary of Centel Corporation)
acquired by
Simmons Communications
\$110,000,000

Television Station WPGH-TV
(subsidiary of Lorimar Telepictures Corporation)
acquired by
Renaissance Communications Corporation
\$32,000,000

Michigan Cable Associates Limited Partnership
acquired by
DF Cablevision Limited Partnership
\$31,600,000

Rifkin/Jacksonville Associates, Ltd.
acquired by
Continental Cablevision, Inc.
\$24,900,000

Rifkin/Michigan City Associates, Ltd.
acquired by
US Cable of Northern Indiana
\$24,000,000

The Field Corporation
acquisition of a minority interest in
Heritage Media Corporation
Price not disclosed

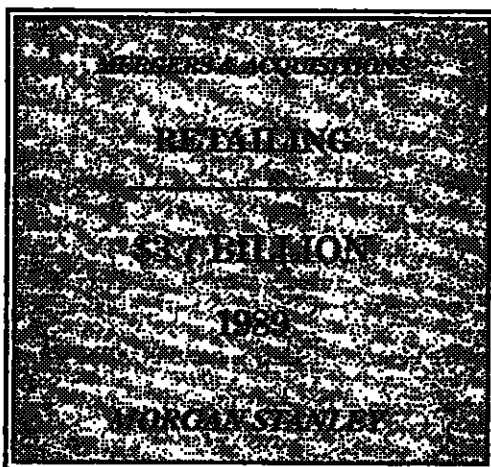
McGraw-Hill, Inc.
acquired by
MMS International, Inc.
Price not disclosed

McGraw-Hill, Inc.
and
Macmillan, Inc.
(subsidiary of Maxwell Communication Corporation plc)
have formed a joint venture of their elementary and secondary educational publishing and testing businesses called
Macmillan/McGraw-Hill School Publishing Company
Price not disclosed

Mystic Color Lab, Inc.
(subsidiary of Grolier Incorporated)
acquired by
Fotolabo Club S.A.
Price not disclosed

Prentice Hall Information Services and Prentice Hall Information Network
(subsidiaries of Paramount Communications Inc.)
acquired by
Macmillan, Inc.
(subsidiary of Maxwell Communication Corporation plc)
Price not disclosed

Seattle Baseball, L.P.
acquired by
The Seattle Mariners Professional Baseball Team
Price not disclosed



ASDA Group PLC
acquired by
61 Stores of
The Gateway Corporation PLC
(subsidiary of Isoco PLC)
\$1,113,000,000

Caldor, Inc.
(subsidiary of The May Department Stores Company)
acquired by
Investor Group led by
Odyssey Partners, L.P.
\$552,000,000

The May Department Stores Company
dutch auction self tender
\$471,625,000

The Steak & Ale and Bennigan's Restaurants of The Pillsbury Company
(subsidiary of Grand Metropolitan PLC)
acquired by
Investor Group led by Citicorp Capital Investors Ltd. and Management
\$434,000,000

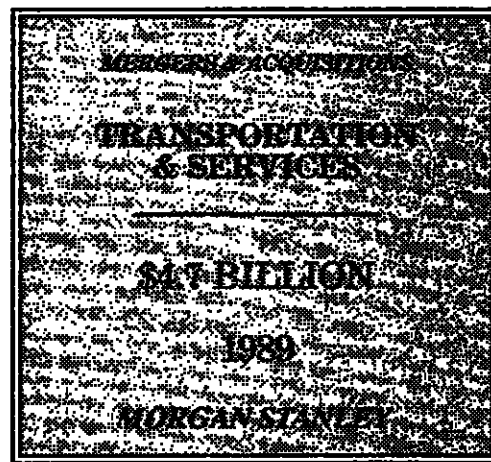
Church's Fried Chicken, Inc.
acquired by
A. Copeland Enterprises, Inc.
\$408,000,000

K mart Corporation
acquired by
PACE Membership Warehouse, Inc.
\$322,500,000

Lane Division of Peoples Drug Stores, Inc.
(subsidiary of Imasco Limited)
acquired by
Rite Aid Corporation
Price not disclosed

Midwest Division of Peoples Drug Stores, Inc.
(subsidiary of Imasco Limited)
acquired by
Investor Group led by Acadia Partners L.P.
Price not disclosed

Reed Division of Peoples Drug Stores, Inc.
(subsidiary of Imasco Limited)
acquired by
Big B, Inc.
Price not disclosed



Budget Rent a Car Corporation
acquired by
Investor Group led by
Fulcrum II Limited Partnership
\$1,193,000,000

Rockefeller Group, Inc.
(controlled by the Committee under Deeds of Trust created by John D. Rockefeller, Jr.)
acquisition of a 51% interest by
Mitsubishi Estate Co., Ltd.
\$346,000,000

New World Development Co., Ltd. and Prime Motor Inns Inc.
pending acquisition of
The Hotel Business of Ramada Inc.
\$540,000,000

The Trailer and Maritime Operations of Fruehauf Corporation
acquired by
Terex Corporation
\$232,500,000

Sixpence Inns of America Inc.
acquired by
Motel 6 L.P.
\$210,000,000

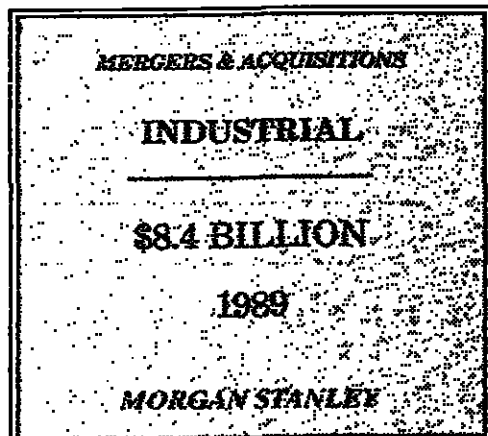
Strategic Planning Associates, Inc.
pending acquisition by
Marsh & McLennan Companies, Inc.
\$79,000,000

Philip Crosby Associates, Inc.
acquired by
Alexander Proudfoot PLC
\$75,000,000

The Newhall Land and Farming Company
dutch auction self tender
\$58,154,000

Retirement Centers of America, Inc.
(subsidiary of Avon Products, Inc.)
acquired by
UMS Corporation
Price not disclosed

MORGAN STANLEY



Combustion Engineering, Inc.
pending acquisition by
ABB Asea Brown Boveri Ltd.
\$1,600,000,000

Envirodyne Industries, Inc.
acquired by
Emerald Acquisition Corporation
\$860,460,000

Anchor Glass Container Corp.
acquired by
Vitro, Sociedad Anonima
\$795,455,000

Hyster Company
(subsidiary of ESCO Corporation)
acquired by
NACCO Industries, Inc.
\$744,400,000

Fruehauf Corporation
pending acquisition by
Varity Corporation
\$573,000,000

MB Group PLC
acquired
Caradon plc
\$552,612,000

Whittaker Corporation
corporate restructuring
\$384,000,000

Silgan Holdings Inc.
(organized by The Morgan Stanley Leveraged
Equity Fund II, L.P., D. Greg Horrigan,
and R. Philip Silver)
acquired
Silgan Corporation
\$370,000,000

MB Group PLC
acquired
American Bank Stationery Company
(controlled by Gibbons Green van Amerongen)
\$300,000,000

**Two Divisions of
Stanadyne, Inc.**
(controlled by Forstmann Little & Co.)
acquired by
Kluge Subotnick Perkowski & Company
\$200,000,000

**Cushman Turf Care Equipment
and Industrial Vehicle Business of
Outboard Marine Corporation**
acquired by
RANSOMES plc
\$150,000,000

Cummins Engine Company
recapitalization of a minority stake held by
The Miller Family
\$104,000,000

Tenneco Inc.
acquired
The Suspension Division of
Armstrong Equipment PLC
\$97,200,000

**The Performance Plastics Group of
Bundy Corporation**
(subsidiary of TI Group plc)
acquired by
The Fluorocarbon Company
\$86,000,000

**The Curon Group of Hart Holding
Company Incorporated**
acquired by
Knoll International Holdings, Inc.
\$80,000,000

Pantasote Inc.
acquired by
Newsote Inc.
\$59,781,000

CLARCOR Inc.
restructuring program
Price not disclosed

**Colt Firearms Division of
Colt Industries Inc**
pending acquisition by
CF Holdings Corp.
Price not disclosed

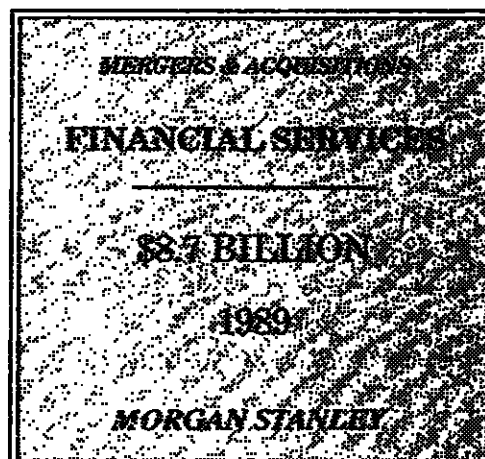
Glasstech, Inc.
(controlled by Zalecki, Sherwood & Co.)
acquired by
Narragansett Capital, Inc.
and Senior Management
Price not disclosed

L-Tec Company
acquired by
ESAB AB
Price not disclosed

**The Ferraloy Division of
The Pullman Company**
(controlled by Forstmann Little & Co.)
acquired by
ICM Industries Inc. and
Maag Gear-Wheel & Machine Co. Ltd.
Price not disclosed

Speedy Muffler King
(subsidiary of Tenneco Inc.)
acquired by
Investor Group
Price not disclosed

**Lawn-Boy Lawnmower
and Tractor Businesses of
Outboard Marine Corporation**
acquired by
The Toro Company
Price undetermined



Associates First Capital Corporation
(subsidiary of Paramount Communications Inc.)
acquired by
Ford Holdings, Inc.
(subsidiary of Ford Motor Company)
\$3,350,000,000

Nordbanken
pending acquisition by
PKbanken
\$900,000,000

Southland Life Insurance Company
(subsidiary of American Brands, Inc.)
acquired by
Georgia U.S. Corporation
(subsidiary of Nationale-Nederlanden N.V.)
\$440,000,000

The Assets of Lend Lease Cars Inc.
acquired by
Automotive Rentals, Inc.
(subsidiary of Holman Enterprises)
\$400,000,000

**Robert M. Bass Group and
Acadia Partners L.P.**
pending acquisition of
National Reinsurance Corporation
(subsidiary of Lincoln National Corporation)
\$395,000,000

First Constitution Financial Corporation
pending acquisition by
FC Investors L.P. and
FC Management L.P.
\$281,000,000

The Penn Central Corporation
acquired
Republic American Corporation
\$250,000,000

Lloyds Bank USA
(subsidiary of Lloyds Bank PLC)
pending acquisition by
The Daiwa Bank, Ltd.
\$300,000,000

Central Pacific Corporation
pending acquisition by
Wells Fargo & Company
\$173,000,000

BankAmerica Corporation
acquired
American Savings Financial Corporation
\$65,773,000

**The Dime Savings Bank of
New York, FSB**
acquired
Starpointe Savings Bank
\$62,700,000

**Central Bank and
CB Insurance Agency, Inc.**
(subsidiaries of Central Banking System, Inc.)
pending acquisition by
Bank of the West
\$54,000,000

Delaware Management Company
(controlled by Management and Castle Harlan, Inc.)
acquisition of a minority stake by
The Tokio Marine and
Fire Insurance Co., Ltd.
\$42,000,000

La Baloise
acquired
Providence Washington Insurance Group
Price not disclosed

**The Insurance Premium
Finance Division of
Central Banking System, Inc.**
acquired by
ABQ Corporation
Price not disclosed

Duff & Phelps Inc.
(subsidiary of Duff Research, Inc.)
acquired by
RFS Chicago Holdings, Inc.
(controlled by Freeman Spogli & Co. and Management)
Price not disclosed

Encore International Inc.
acquisition of a minority interest by
AT&T
Price not disclosed

Federated Investors, Inc.
(subsidiary of Aetna Life and Casualty Company)
acquired by
Investor Group led by Management
Price not disclosed

Istituto Bancario Italiano S.p.A.
exchange of an interest held by
Cassa di Risparmio delle
Province Lombarde
for a minority position in
Banca Jover S.A.
(subsidiary of Banca Santander, S.A.)
Price not disclosed

The Keystone Group Inc.
(subsidiary of The Travelers Corporation)
pending acquisition by
Investor Group led by
TA Associates and Management
Price not disclosed

MBIA Inc.
pending acquisition of
Bond Investors Group Inc.
Price not disclosed

Marsh & McLennan Companies, Inc.
pending acquisition of a majority interest in
Grädmann & Holler
Price not disclosed

Monumental Life Insurance Company
(subsidiary of Aegon N.V.)
pending acquisition of
The Home Services Division of
Washington National Insurance Company
Price not disclosed

**Ryder System Insurance Management
Services**
(division of Ryder System, Inc.)
pending acquisition by
Skandia International
Price not disclosed

Westdeutsche Landesbank Girozentrale
pending acquisition of
Selected European Operations
of Standard Chartered PLC
Price not disclosed

**Westdeutsche Landesbank Girozentrale
and
Standard Chartered PLC**
pending joint venture of their European merchant
banking and corporate finance activities
Price not disclosed

MORGAN STANLEY

LONDON STOCK EXCHANGE

Investors slow to commit new funds

CUTS IN prime rates by US money-centre banks did little yesterday to help a London stock market unsettled by renewed uncertainties on the international front. Wall Street's weakness ahead of the weekend set the trend for a downturn in the UK market where blue chips staged only a muted rally towards the end of the session.

The reduction in US bank lending rates, which was led by First National Bank of Chicago, helped to check an initial improvement in sterling which had lowered share prices in the UK blue chip export companies. However, nervousness over prospects for interest

Account Opening Dates			
First Dealings	Jan 11	Jan 20	Jan 29
Second Dealings	Jan 12	Jan 21	Jan 30
Third Dealings	Jan 13	Jan 22	Jan 31
Fourth Dealings	Jan 14	Jan 23	Feb 1
Fifth Dealings	Jan 15	Jan 24	Feb 2
Sixth Dealings	Jan 16	Jan 25	Feb 3
Seventh Dealings	Jan 17	Jan 26	Feb 4
Eighth Dealings	Jan 18	Jan 27	Feb 5
Ninth Dealings	Jan 19	Jan 28	Feb 6
Tenth Dealings	Jan 20	Jan 29	Feb 7

rates in Europe, and especially in Germany and France, acted as a restraint on recent confidence that UK rates may soon begin to fall.

The chief factor yesterday, however, was the apparent reluctance of the investment institutions to commit further funds to UK equities just at

present. With buying pressure thus reduced, and investors still refusing to sell stock, the market lacked a definite trend. "Yesterday was pretty well a non-event," commented Nigel Little of Farnham Gordon, the London broker.

An initial attempt to move forward, largely on the back of a clutch of New Year recommendations from the investment press, quickly faded and equities slid lower as traders brushed off a steady trend in German equities and shied away from the opening of the new session in New York. At worst, the Footsie index was more than 20 points off.

The cautious rally sparked by the US prime rate cuts and the softening in sterling left the FT-SE index with a final loss of 13.3 points at 2,431.3. Seaq volume, at 396.4m shares, was unexciting and appeared to include a fair amount of inter-dealer activity.

The latest data on domestic retail sales and consumer credit tended to confirm the slowdown in domestic spending in the face of high interest rates, and gave no encouragement to a market hoping to see those rates relaxed sooner rather than later. More comforting for the retail sector was a vigorous defence document from Dixons, facing a £461m bid from Kingfisher, which

indicated that Christmas sales had gone better than expected. The privatised water issues, which have helped spur equities ahead, turned calmer yesterday as Thames Water disclosed its interim trading report, opening this week's list of reports from the sector; few surprises are expected, since profit forecasts were included in the various offer documents.

With a light calendar of economic forecasts ahead this week, the UK market appears to be in slack water. Next week, however, brings the latest statistics on domestic inflation and money supply, and also the US trade numbers for November.

FINANCIAL TIMES STOCK INDICES

	Jan 8	Jan 5	Jan 4	Jan 3	Jan 2	Year Ago	High	Low	Since Completion
Government Secs	83.58	84.10	84.20	84.16	84.20	86.90	85.23	82.36	127.4
Fixed Interest	82.81	82.71	82.58	82.84	82.74	86.09	85.59	82.02	105.4
Ordinary Share	1945.0	1948.8	1957.3	1968.3	1934.1	1902.0	2008.6	1447.8	2008.6
Gold Mines	315.8	306.4	298.7	308.9	308.5	182.9	317.8	154.7	734.7
FT-SE 100 Share	2431.3	2444.5	2451.6	2483.7	2434.1	1831.5	2453.7	1722.8	2453.7
Ord. Div. Yield	4.39	4.38	4.36	4.34	4.41	4.58	4.34	4.11	4.58
Earning Yld % (full)	10.71	10.67	10.62	10.60	10.79	12.29	10.80	10.60	12.29
P/E Ratio (Net)	11.30	11.35	11.38	11.42	11.22	8.84	11.22	8.84	11.22

SEAG Bargains (5pm)			
Equity Turnover (m)	34,211	51,336	44,222
Equity Bargains	1013.53	1408.02	1048.83
Shares Traded (m)	44,161	50,880	44,088
Ordinary Share Index	407.8	565.8	490.2
Day's High	1945.0	1948.8	1957.3
Day's Low	1934.1	1902.0	1831.5
Day's Range	11.22	8.84	11.22
Day's High	2453.7	2453.7	2453.7
Day's Low	1722.8	1722.8	1722.8
Day's Range	708.9	730.9	730.9

GILT EDGED ACTIVITY

Gilt Edged Bargains

5 - Day average

SE Activity 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990

SE Activity 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990

SE Activity 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990

SE Activity 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990

Strong defence by Dixons

Dixons and Kingfisher hogged the limelight in an otherwise quiet stock sector. As part of its defence against the takeover bid from the latter, Dixons produced a profits forecast that was well above analysts' expectations. Marketmakers expressed some scepticism over the figures, but nevertheless marked Dixons higher on speculative buying. Kingfisher moved in the other direction on the increased likelihood that it will be forced to offer more money to secure the electrical retailing chain.

Much of the improvement in forecast profits came from property and financial services, including sales of extended warranties on goods. Analysts were more sympathetic to Dixons' case than were dealers, although some conceded that as stores watchers they were on unfamiliar ground when assessing financial services operations.

One analyst said that Kingfisher might now have to pay 140p for Dixons and therefore was a short term sell. He added, however, that with the increased profits forecast, Kingfisher could raise its offer without dilution of earnings.

Mr Nick Bubb of Morgan Stanley said: "We know the bulk of the profits would come from financial services and property, but financial services in particular now seem to be much bigger." He added that if the higher profits forecast had been announced before the Kingfisher bid, it would have added 50p to Dixons' shares. In the event they rose 3 to 139p, while Kingfisher fell 7 to 309p.

Burmah downgrade

Among the day's worst performers were Burmah, which followed last Friday's 6p decline with a further 10p retracement to 65p, albeit in relatively thin turnover of 33,000 shares.

The weakness followed a profits downgrade by Smith New Court. The Smith oil team lowered their forecast of 1989 net income from 597m to 528m, "within the market range of 520-550m," and their estimate of 1990 net income from 610m to 510m. Smith cited "difficult trading conditions in industrial lubricants during the second half of 1989," and also noted that speciality chemicals profits are exposed to the house-building and automotive sectors in the US which have shown a slowdown in activity.

But Smith still rates the shares a hold, and sees scope

for further outperformance in 1990, believing that SHV will continue to increase its stake, currently standing at 8.1 per cent. The securities house expects Burmah to sell its 25.9 per cent stake in Premier at some stage this year.

Eurotunnel nerves

A host of nerves hit Eurotunnel shares as the company entered the final phase of talks on cost overruns with the contractors building the Channel tunnel. Confidence was also unsettled by French reports of a court action against Eurotunnel seeking almost £40m for work connected with the tunnel.

The shares bottomed at 629p, down 50 on Friday's close, before recovering half this loss on hopes that a conclusion to the cost negotiations was imminent.

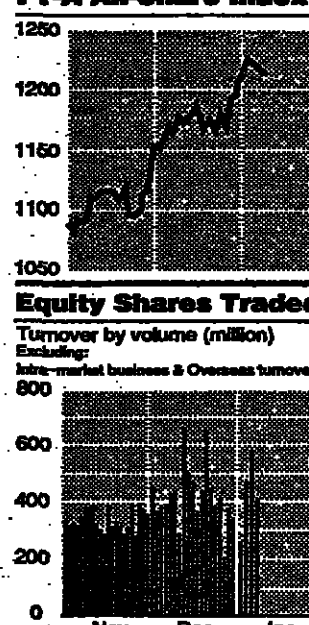
A profits downgrade, worries about the profitability of its Rover Group subsidiary, and persistent talk of a rights issue, combined to make British Aerospace a weak market.

The shares shed 10 to 570p on modest turnover of 1.4m shares as Robert Fleming joined other securities houses that have recently cut forecasts. Fleming now predicts 1989 profits of £306m, down from its previous figure of £319m, and reduced the estimate for 1990 from £384m to £353m. Fleming blamed the strike, a higher than expected level of net debt and cash outflow for the payment of Rover in 1989.

Mr Piers Whitehead of Fleming brushed aside rights and Rover concerns saying: "My main worry is that West Germany could pull out of European Fighter Aircraft project which would put a serious question mark over the whole project."

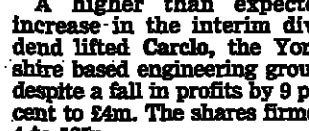
After the market close a story emerged suggesting that BAE was on the verge of announcing a deal with the South Korea Government for the sale of 120 Hawk trainer/ground attack fighter aircraft, in a deal said to be worth around £1.5bn. Rolls-Royce issued a 1989 as profit-takers took advantage of last week's rise. Most of the trade was said

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS	NEW LOWS
ARMED & ARMED (P) Treas. 24p 57-50	ARMED & ARMED (P) Treas. 24p 57-50
ARMED & ARMED (P) Treas. 24p 57-50	ARMED & ARMED (P) Treas. 24p 57-50
ARMED & ARMED (P) Treas. 24p 57-50	ARMED & ARMED (P) Treas. 24p 57-50
ARMED & ARMED (P) Treas. 24p 57-50	ARMED & ARMED (P) Treas. 24p 57-50
ARMED & ARMED (P) Treas. 24p 57-50	ARMED & ARMED (P) Treas. 24p 57-50
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APPOINTMENTS

Promotions at Dowty



DOWTY has appointed Mr Tony Bellisario (left) as managing director of Dowty Defence & Air Systems. He was managing director of the fuel systems division, where he is succeeded by Mr Geoff Smith (right) who was business development director.

Hollandische Beton Groep has appointed Mr Richard Gregory, assistant managing director, and Mr Robert Hickson, company secretary, as deputy managing directors of KYLE STEWART. Mr Hickson remains company secretary.

Sir Oscar De Ville continues as executive chairman of MEYER INTERNATIONAL, for a further two years, and Mr Richard Jenson, group managing director, additionally becomes deputy chairman.

WHITEGATE LEISURE has appointed Mr Nigel Patterson as group operations director, and Mr Stuart Young as finance director.

ALLIANCE FINANCIAL, a Loxep company, has promoted Mr Malcolm Wallis, deputy managing director, to managing director; and Mr Timothy Haynes, associate director, to director.

Mr Ricardo Borsellini, managing director, Scholl Italy, and Mr Raymond Thomas, managing director, Scholl UK, have been appointed to the board of EUROPEAN HOME PRODUCTS.

C.I. de ROUEMENT & CO has appointed Mr John R. Clare as a director and active underwriter of Non-Marine Syndicate 792. He succeeds as underwriter Mr Peter J.W. Duff who continues as a director.

Mr Christopher Houseman has been appointed a director of ELECO HOLDINGS with executive responsibility for the building products division. Mr David Seddon, company secretary, was additionally appointed group accountant.

Mr Peter Baum and Mr Robert Tilly have been appointed directors of PHILADELPHIA NATIONAL, London, merchant banking subsidiary of Philadelphia National Bank, with responsibilities for capital markets, sales and trading.

Mr Alex Hensley has been appointed managing director of PMS LONDON, and Ms Jane Anderson becomes publications director.

RYDER DISTRIBUTION SERVICES has appointed Mr John Ball as divisional director, home delivery and furniture; Mr John Stocker, general manager business development, becomes sales and marketing director; and Mr Howard Rodgers, divisional distribution manager, becomes operations director.

Mr Paul Talbot Wilcox has succeeded Mr Peter Talbot Wilcox as chairman of EGGAR FORRESTER (HOLDINGS), and Douglas & Gordon.

Mr John Couch has been appointed financial controller at MANWEB, Chester. He was group finance director, Alliance Paper Group.

Mr Ian Widger has been appointed managing director of PLESSEY-TELENET, The Netherlands. He takes over from Mr Richard Flegg who returns with responsibility for the company's UK programme management.

Mr David Cornelius has been appointed director of the TRANSPORT AND ROAD RESEARCH LABORATORY, with Dr Dennis Robertson as deputy director.

Mr Ronald G. Dunn has been appointed group vice president of the MAXWELL MACMILLAN GROUP, and director general of Schuchman. He was director of Washington operations for the American Chemical Society.

Tomkins hardened 2 to 295p as the company reported interim profits up 22 per cent to £23.3m, in line with market forecasts.

BET added 2 to 264p as it reported it had increased its holding in Hestair for whom it is bidding, by 14 per cent to 43 per cent. A marketmaker said: "It's more or less over now for Hestair." Hestair shares gained a penny to 322p.

Labey National, one of the market's outstanding issues in the past few months, encountered a bout of profit-taking to close 4 off at 185p after turnover of 3.1m. TSB, reporting preliminary figures on Thursday - Hoare Govett is going for £355m and BZW for £200m against last time's £420.1m - were slightly easier at 129p.

The big four were all around 5 easier but in thin turnover. Merchant banks were again highlighted by a strong performance from S.G. Warburg, shares of which moved up 8 to a year's best of 523p.

Composite insurance stocks, hit last week by profit-taking, staged a good run, led by Royals and Guardian Royal Exchange. The latter, up 4 last

Friday amid whispers that Generali had been back in the market adding to its supposed stake, closed a further 6 higher at 259p. Turnover in GRE came out at 2.8m. Royals advanced 8 to 548p on 1m. Life insurers were firmer across the board.

Hopes that Grand Metropolitan would exchange its public houses for the brewing interest of Elders IXL of Australia helped the former's shares climb 9 to 647p on good turnover of 1.5m.

Friday's talk of a rights issue from Unilever continued to undermine the shares. Weakness in the Amsterdam stock market - Unilever is an Anglo-Dutch concern - did not help confidence. In addition, some dealers were under the impression that analysts at BZW had downgraded the stock. But Mr John Parker at BZW said he had edged his forecast 18m higher to £175m on the basis of the year end-exchange rate. Unilever nevertheless ended 17 lower on the day at 702p. Dealers added that the company might also have suffered from having been talked of as a possible bidder for Cadbury or part of the Campbell Soup business of the US.

Positive comment in the weekend press on Cadbury Schweppes combined with Friday's bid speculation to encourage dealers to mark the shares sharply higher at the opening. But this only flushed out sellers and the shares ran back from their peak of 378p to close 6 lower on the day at 694p.

A buy recommendation from an agency broker was said to have helped Asda buck the market's weakness with a rise of 3 to 132p.

The chairman of USM-quoted

Volume Closing Day's			
Vol	Price	Vol	Price
ARMED & ARMED (P) Treas. 24p 57-50	57-50	ARMED & ARMED (P) Treas. 24p 57-50	57-50
ARMED & ARMED (P) Treas. 24p 57-50	57-50	ARMED & ARMED (P) Treas. 24p 57-50	57-50
ARMED & ARMED (P) Treas. 24p 57-50	57-50	ARMED & ARMED (P) Treas. 24p 57-50	57-50
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ARMED & ARMED (P) Treas. 24p 57-50	57-50	ARMED & ARMED (P) Treas. 24p 57-50	57-50

Based on trading volume for most Alpha securities dealt through the SEAO system yesterday until 5 pm.

Specialists said

Specialists said interim later this month would show trading losses, which he blamed on ending of the Government eye test subsidy and the wider retail downturn. The shares shed 7 to 22p.

Batens continued to be one of the few sought after shares. They added 4 to 270p helped by positive comment in the weekend press. The same factor was behind Dunhill's rise of 12 to 425p. There was also a revival of last week's vague talk of a bid.

The proposed cement price increase announced by Blue Circle - collected bulk prices to go up 8 per cent and packed cement up 7 per cent - had very limited impact of Blue Circle shares which, having been marked up to 266p on the news, subsequently dipped

back to close only a penny

firmer on balance at 260p; turnover was 1.7m.

The telecoms issues drifted easier with British Telecom closing 4 off at 300p on 5.4m and Cable & Wireless 6 down at 553p on 2.9m. The Royal twins were down a penny apiece with Telecom at 394p and Electronics at 251p after Goldman Sachs, the US securities house, adjusted its forecasts for both companies and reiterated their buy recommendations on both. Goldman has reduced its earnings estimate for Electronics for 1990 and 1991 to 8.6p and 15p a share from 11.1p and 16.1p respectively and increased its 1990 and 1991 estimates for Telecom to 11.7p and 18.5p from 11.2p and 17.9p.

GECC held at 289p on 2.3m

shares after County NatWest WoodMac said the stock, "is now at levels where its defensive qualities should be recognised; we would look to pick up stock."

STC moved up 3 more to 267p, still stimulated by recent stories that an overseas group will acquire a significant stake in ICL, its computer subsidiary.

Almost 5m Ferranti changed hands, with the stock closing a penny up at 32p after press comment saying the group will announce an interim loss when the figures are released on Friday.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

CABLE TELEVISION AND SATELLITE BROADCASTING

LONDON
28 February & 1 March 1990

Issues to be debated:

- * The implications of Britain's legislative moves towards deregulating broadcasting and the creation of new channels
- * One year into the direct-to-home satellite revolution in Europe, how is the business shaping up? How will the traditional broadcasters respond?
- * Will satellite television provide a window of opportunity for the development of cable television?
- * The market for television programmes in Europe

Speakers include:

- Mr David Mellor, ac, MP**
Minister of State at the Home Office
Responsible for Broadcasting
- Dr Pierre Meyrat**
Société Européenne des Satellites
- Mr Anthony Simonds-Gooding**
British Satellite Broadcasting Limited
- Mr Richard Dunn**
ITV Association/Thames Television PLC
- Mr Francis Baron**
WHS TV
- Madame Catherine Tasca**
Ministre Délégué Chargé de la Communication, France
- Mr Andrew Neil**
Sky Television PLC
- Mr Michael Checkland**
British Broadcasting Corporation
- M. Marc Tessier**
Canal Plus International
- Lord Rees-Mogg**
Broadcasting Standards Council

CABLE TELEVISION AND SATELLITE BROADCASTING

Complete and return to: The Financial Times Conference Organisation
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Continued on next page

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1 Price at time of suspension
 2 ~~3~~ 3 Dividend yield based on scrip and/or rights issues
 4 cover relates to previous dividend or forecast.
 5 Merged bid or reorganisation in progress
 6 6 ~~7~~ 7 ~~8~~ 8 Same interest; reduced final and/or reduced earnings
 9 ~~10~~ 10 ~~11~~ 11 Forecast dividend; cover on earnings updated by latest
 12 interim statement.
 13 13 ~~14~~ 14 ~~15~~ 15 ~~16~~ 16 ~~17~~ 17 Conversion of shares not now ranking for
 18 dividends or ranking only for restricted dividends.
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rate trends depress dollar

THE DOLLAR weakened against European currencies, but was slightly firmer in terms of the Japanese yen at the close of trading in London yesterday. The Bank of Japan sold dollars in Tokyo, but there was no further intervention during European trading.

The D-Mark remained firm pulling other European currencies higher, including sterling. News that the West German current account surplus rose to DM9.6bn in November, from DM7.6bn in October, contributed to the D-Mark's rise, boosting it to the strongest level against the dollar since April 1988. Interest rate differentials also continued to favour the German currency, as First National Bank of Chicago led a round of bids to 10 per cent from 10 1/4 per cent in US bank prime rates.

The reduction in prime rates was generally expected however, following the recent easing of the US Federal Reserve's monetary stance, but there was some surprise when the Fed kept the downward pressure on rates yesterday by adding reserves to the New York banking system, via three-day system repurchase agreements, when Fed funds were trading at the assumed target rate of 8 1/4 per cent.

Despite the decline in US

rates the trend in Germany is expected to stay firm, on fears in Bonn about the inflationary implications from the liberalisation of eastern Europe. The Bundesbank's decision to revert to variable bid rates at its last securities repurchase agreement tender is expected to continue this week and is taken as a sign that the central bank intends to keep its monetary policy tight.

At the close of trading in London the dollar had fallen to DM1.6650 from DM1.6610, to SF11.8285 from SF11.8385, to FF5.6910 from FF5.7400. It rose to Y144.05 from Y143.75 however. According to the Bank of England the dollar's index fell to 86.7 from 87.0.

The latest UK economic news on consumer credit and retail sales did not appear to bring a cut in bank base rates any nearer. This helped support sterling, in spite of a sharp fall in North Sea oil

prices. The pound gained 1.55 cents to \$1.6535. It also climbed to DM2.7600 from DM2.7525, to Y238.25 from Y235.50, to SF22.5200 from SF22.5150, and to FF5.4100 from FF5.4025. Sterling's index, on Ffrs, rose 0.2 to 87.2.

Friday's devaluation of the Italian Lira within the European Monetary System took the pressure off the exchange rate mechanism, but led to suggestions that countries such as France, Ireland and Denmark will be forced to raise interest rates in the near future if a further realignment of the system is to be avoided.

In Milan the D-Mark was fixed at L748.00, compared with L750.65 on Friday, but was close to its new EMS central rate of L748.217. The Bank of Italy did not intervene. As calm returned to the system the weak Danish krone also improved against the D-Mark.

The latest UK economic news on consumer credit and retail sales did not appear to bring a cut in bank base rates any nearer. This helped support sterling, in spite of a sharp fall in North Sea oil

EURO-CURRENCY INTEREST RATES

	Jan 8	Short	7 days	One	Three	Six	One
		term	term	month	months	months	year
Sterling	15.14-14H	15.14-15	15.14-15	15.14-15	15.14-15	15.14-15	15.14-15
US dollar	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
DM	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
FF	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Yen	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Swiss	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Italian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Spanish	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Portuguese	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Belgian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Dutch	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
French	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Irish	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Greek	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Japanese	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Canadian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Australian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
New Zealand	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
South African	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Argentine	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Chilean	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Colombian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Costa Rican	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Cuban	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Dominican	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Ecuadorian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Guatemalan	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Honduran	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Indonesian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Malaysian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Mexican	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Nicaraguan	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Panamanian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Paraguayan	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Peruvian	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Salvadoran	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Surinamese	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Taiwanese	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Venezuelan	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H
Zimbabwean	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H	12.11-11H

£ IN NEW YORK

	Jan 8	Latest	Previous
1 month	1.6515-1.6545	1.6535-1.6565	1.6515-1.6545
3 month	1.6515-1.6545	1.6535-1.6565	1.6515-1.6545
6 month	1.6515-1.6545	1.6535-1.6565	1.6515-1.6545
12 month	1.6515-1.6545	1.6535-1.6565	1.6515-1.6545

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan 8	Previous
10.00 am	87.2	86.8
11.00 am	87.2	86.9
12.00 pm	87.2	86.9
1.00 pm	87.2	86.9
2.00 pm	87.2	86.9
3.00 pm	87.2	86.9
4.00 pm	87.2	86.9

CURRENCY RATES

	Jan 8	Bank	Special	European
		rate	rate	unit
Sterling	1.2816	1.2816	1.2816	1.2816
US dollar	1.6535	1.6535	1.6535	1.6535
Canadian dollar	1.2816	1.2816	1.2816	1.2816
Australian dollar	1.2816	1.2816	1.2816	1.2816
Japanese yen	1.2816	1.2816	1.2816	1.2816
Swiss franc	1.2816	1.2816	1.2816	1.2816
DM	1.2816	1.2816	1.2816	1.2816
FF	1.2816	1.2816	1.2816	1.2816
Yen	1.2816	1.2816	1.2816	1.2816
Italian Lira	1.2816	1.2816	1.2816	1.2816
Spanish Peseta	1.2816	1.2816	1.2816	1.2816
Portuguese Escudo	1.2816	1.2816	1.2816	1.2816
Belgian Franc	1.2816	1.2816	1.2816	1.2816
Dutch Guilder	1.2816	1.2816	1.2816	1.2816
French Franc	1.2816	1.2816	1.2816	1.2816
Irish Punt	1.2816	1.2816	1.2816	1.2816
Greek Drachma	1.2816	1.2816	1.2816	1.2816
Indonesian Rupiah	1.2816	1.2816	1.2816	1.2816
Malaysian Ringgit	1.2816	1.2816	1.2816	1.2816
Mexican Peso	1.2816	1.2816	1.2816	1.2816
Nicaraguan Cordoba	1.2816	1.2816	1.2816	1.2816
Panamanian Balboa	1.2816	1.2816	1.2816	1.2816
Paraguayan Guaraní	1.2816	1.2816	1.2816	1.2816
Peruvian Sol	1.2816	1.2816	1.2816	1.2816
Salvadoran Colon	1.2816	1.2816	1.2816	1.2816
Surinamese Dollar	1.2816	1.2816	1.2816	1.2816
Taiwanese Dollar	1.2816	1.2816	1.2816	1.2816
Venezuelan Bolívar	1.2816	1.2816	1.2816	1.2816
Zimbabwean Dollar	1.2816	1.2816	1.2816	1.2816

CURRENCY MOVEMENTS

	Jan 8	Bank	Special	European
		rate	rate	unit
Sterling	1.2816	1.2816	1.2816	1.2816
US dollar	1.6535	1.6535	1.6535	1.6535
Canadian dollar	1.2816	1.2816	1.2816	1.2816
Australian dollar	1.2816	1.2816	1.2816	1.2816
Japanese yen	1.2816	1.2816	1.2816	1.2816
Swiss franc	1.2816	1.2816	1.2816	1.2816
DM	1.2816	1.2816	1.2816	1.2816
FF	1.2816	1.2816	1.2816	1.2816
Yen	1.2816	1.2816	1.2816	1.2816
Italian Lira	1.2816	1.2816	1.2816	1.2816
Spanish Peseta	1.2816	1.2816	1.2816	1.2816
Portuguese Escudo	1.2816	1.2816	1.2816	1.2816
Belgian Franc	1.2816	1.2816	1.2816	1.2816
Dutch Guilder	1.2816	1.2816	1.2816	1.2816
French Franc	1.2816	1.2816	1.2816	1.2816
Irish Punt	1.2816	1.2816	1.2816	1.2816
Greek Drachma	1.2816	1.2816	1.2816	1.2816
Indonesian Rupiah	1.2816	1.2816	1.2816	1.2816
Malaysian Ringgit	1.2816	1.2816	1.2816	1.2816
Mexican Peso	1.2816	1.2816	1.2816	1.2816
Nicaraguan Cordoba	1.2816	1.2816	1.2816	1.2816
Panamanian Balboa	1.2816	1.2816	1.2816	1.2816
Paraguayan Guaraní	1.2816	1.2816	1.2816	1.2816
Peruvian Sol	1.2816	1.2816	1.2816	1.2816
Salvadoran Colon	1.2816	1.2816	1.2816	1.2816
Surinamese Dollar	1.2816	1.2816	1.2816	1.2816
Taiwanese Dollar	1.2816	1.2816	1.2816	1.2816
Venezuelan Bolívar	1.2816	1.2816	1.2816	1.2816
Zimbabwean Dollar	1.2816	1.2816	1.2816	1.2816

OTHER CURRENCIES

	Jan 8	Bank	Special	European
		rate	rate	unit
Argentine	1.2816	1.2816	1.2816	1.2816
Australian	1.2816	1.2816	1.2816	1.2816
Belgian	1.2816	1.2816	1.2816	1.2816
Canadian	1.2816	1.2816	1.2816	1.2816
Dutch	1.2816	1.2816	1.2816	1.2816
French	1.2816	1.2816	1.2816	1.2816
German	1.2816	1.2816	1.2816	1.2816
Irish	1.2816	1.2816	1.2816	1.2816
Italian	1.2816	1.2816	1.2816	1.2816
Japanese	1.2816	1.2816	1.2816	1.2816
Malaysian	1.2816	1.2816	1.2816	1.2816
Mexican	1.2816	1.2816	1.2816	1.2816
Nicaraguan	1.2816	1.2816	1.2816	1.2816
Panamanian	1.2816	1.2816	1.2816	1.2816
Paraguayan	1.2816	1.2816	1.2816	1.2816
Peruvian	1.2816	1.2816	1.2816	1.2816
Salvadoran	1.2816	1.2816	1.2816	1.2816
Surinamese	1.2816	1.2816	1.2816	1.2816
Taiwanese	1.2816	1.2816	1.2816	1.2816
Venezuelan	1.2816	1.2816	1.2816	1.2816
Zimbabwean	1.2816	1.2816	1.2816	1.2816

MONEY MARKETS

Little change

INTEREST RATES remained little changed in the London money market, despite some mildly disappointing economic data. UK consumer credit advanced in November to a seasonally adjusted £3.8bn, compared with £3.7bn in October. A figure of around £3.5bn was expected. On the other hand, retail sales in November were not as depressed as previously stated. Final figures on sales showed a fall of 0.4 per

cent, against the provisional estimate of a 0.8 per cent drop.

The impact on the market was marginal however, with three-month sterling interbank remaining at 15 1/4-15 1/2 per cent. On Life short sterling futures opened weaker, at 85.40 for March delivery, and fell to a low of 85.33 after the economic news, before closing at 85.36, against 85.42 on Friday.

The Bank of England forecast a money market credit shortage of £650m, and provided total help of £580m. Before lunch the authorities bought £260m bills outright, by way of £112m bank bills in band 1 at 14 1/4 per cent, £10m Treasury bills in band 2 at 14 1/4 per cent, and £214m bank bills in band 2 at 14 1/4 per cent.

the afternoon another £224m bills were purchased outright, via £82m bank bills in band 1 at 14 1/4 per cent and £162m bank bills in band 2 at 14 1/4 per cent. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of the assistance and a take-up of Treasury bills drained £47m, with the unwinding of repurchase agreements absorbing £67m, exchequer transactions £10m, and bank balances below target £230m. These outweighed a fall in the note circulation adding £650m to liquidity.

In Frankfurt call money was unchanged at 7.70 per cent in quiet trading. Dealers are waiting for the terms of this week's securities repurchase agreement tender from the Bundesbank. On Wednesday DM19.8bn drains from the banking system as an earlier part expires, and it is widely expected that the authorities will provide new money via a variable rate tender.

Mr Helmut Schlesinger, deputy president of the Bundesbank, said last week that a switch to variable rate tenders was a return to normality after three months of fixed rate tenders at 7.5 per cent. This indicates that the central bank is no longer prepared to subsidise banks by providing repurchase funds at 1

CANADA

CANADA

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 47

NASDAQ NATIONAL MARKET[illegible]

AMERICA

Prime rate cut helps Dow make a healthy recovery

Wall Street

WITH a fillip from the cut in prime rate by major banks yesterday, Wall Street stocks clawed back their early losses to achieve moderate gains for the session, writes Roderick Oram in New York.

The Dow Jones Industrial Average closed up 23.35 points at 2,794.58. Trading was moderate with 1,406.5m shares changing hands on the NYSE by early afternoon. Advances outnumbered declines by a ratio of eight to seven.

Stocks had opened lower with the Dow Industrials falling a maximum of some 11 points from Friday's close. The main concern of the markets is the possibility of weaker than forecast fourth quarter corporate profits.

Most analysts are forecasting a 1.5 per cent increase in earnings for companies in the Standard & Poor's 500 index. Among the big gainers were long distance telecommunications, engineering, electronics, semiconductor and computer groups. Losers will include airlines, car and truck makers, truckers, steel makers and leisure companies.

But pessimists believe that some nasty surprises are lurking within the overall forecast. In the Dow Industrials, the earnings for S&P 500 companies

could fall a few points, they maintain.

Traders said stocks were also flagging because inflation and growth data are turning out firmer than expected, reducing the chance that the Federal Reserve will ease monetary policy before next month. The cut in banks' prime rate to 10 per cent from 10.5 per cent was long expected in the wake of the Fed's easing late last year.

The move was psychologically helpful, however, and triggered a round of futures-related buy programmes which in turn pushed up stock prices in the cash market.

Tobacco stocks were the most volatile sector after a court ruling in a celebrated case against Liggett, a leading cigarette maker.

A federal appeals court overturned damages that a lower court had awarded to relatives of a New Jersey woman who had died from cancer. But the family still maintained they had won a partial victory because the case was returned to the lower court for a new trial.

With the threat of new damage awards hanging over cigarette producers, their stocks came under pressure. Liggett was off 3 1/2 to 5 1/4, Philip Morris dropped 1 1/4 to \$41 and the most active NYSE stock with an shares traded, American Brands fell 1 1/4 to \$68 1/2.

and Loews was off 5 1/2 at \$120 1/4.

UAL, parent of United Airlines, dropped 3 1/2 to \$156 1/2 after reports that management and Coniston Partner, a New York investor group, were unlikely to propose a buyout plan for the company by yesterday's deadline. However, it is likely Coniston, a large UAL shareholder, will continue work on other ways to increase shareholders' value.

Du Pont added 3 1/2 to \$124 1/2. The largest US chemicals producer said it would spend \$1bn over the next 10 years to increase its nylon capacity. The nylon family products remains a core component of the group's profits.

Canada

STOCKS fell in Toronto, with the market fearing that the Canadian economy is at greater risk of a recession than the United States.

The composite index fell 19.30 to 3,971.07 on low volume of 24.2m shares. Declines led advances 53 to 267.

Campanelli fell 70 cents to C\$2.60 on continuing uncertainty about its prospects for escaping bankruptcy.

Inco was among the most active shares, falling 8 1/2 to C\$30 1/2 on higher London nickel stocks, with volume boosted by a large block trade.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in US \$	% change in UK £
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+12.8	+21.0	+101.4	+12.8	+10.5	+12.3
Belgium	+1.7	+1.4	+11.0	+1.7	+0.4	+2.0
Denmark	+0.2	+0.3	+28.5	+0.2	-0.8	+0.5
Finland	+1.4	+1.1	+1.8	+1.4	+5.4	+1.4
France	-0.1	+1.2	+24.0	-0.1	-0.9	+0.7
W. Germany	+1.9	+8.8	+33.0	+1.9	+0.9	+2.5
Ireland	+5.9	+8.0	+43.0	+5.9	+5.0	+6.7
Italy	+1.8	+5.5	+12.5	+1.8	+0.6	+2.2
Netherlands	-0.8	-0.4	+18.6	-0.8	-1.6	+0.0
Norway	+6.3	+9.8	+43.7	+6.3	+5.4	+7.1
Spain	+0.2	-1.8	+7.5	+0.2	-1.1	+0.4
Sweden	+4.1	+10.9	+39.5	+4.1	+2.7	+4.3
Switzerland	+1.9	+1.2	+22.2	+1.9	+0.7	+2.3
UK	+1.2	+4.1	+31.8	+1.2	+1.2	+2.8
EUROPE	+1.2	+3.9	+26.9	+1.2	+0.8	+2.2

Australia	+4.0	+8.6	+18.5	+4.0	+1.9	+3.6
Hong Kong	+0.4	+1.4	+1.7	+0.4	-1.3	+0.3
Japan	-1.7	-1.8	+16.2	-1.7	-3.2	-1.6
Malaysia	+2.5	+9.6	+61.2	+2.5	+0.6	+2.2
New Zealand	+2.9	+1.8	+15.7	+2.9	+1.9	+3.6
Singapore	+5.3	+7.3	+44.7	+5.3	+0.2	+4.9

Canada	+0.7	+1.0	+16.6	+0.7	-0.9	+0.6
USA	-0.3	+0.9	+24.7	-0.3	-1.9	-0.3
Mexico	+1.3	+10.5	+142.9	+1.3	-0.05	+1.5
South Africa	+4.2	-0.1	+58.1	+4.2	+1.7	+3.3
WORLD INDEX	-0.4	+0.5	+21.2	-0.4	-1.7	-0.2

Based on January 29, 1989. Copyright: The Financial Times Limited, London, South Africa, and County NatWest Securities Limited.

EUROPE

Weekend developments dominate trading

INTERNATIONAL investment interest returned to Frankfurt yesterday, Paris worried about money rates and Milan a partly responsible for this concern - made an encouraging start to the week, writes Our Markets Staff.

FRANKFURT saw a useful increase in share prices despite a weak bond market and bearish items on the corporate front. Institutional, foreign and private domestic buying took the FAZ index 10.40 points to 768.31, and the DAX 23.24 to 1,943.23. Volume declined from DM10.1bn to DM8.4bn.

Blue chip risers included Daimler, Deutsche Bank and Siemens, up DM12, DM6 and DM5.50 respectively to DM211.50, DM333 and DM755.50. This, apparently a response to the news that Soviet president Mikhail Gorbachev would have some time for foreign diplomats this month after all, was augmented by a DM152 rise to DM2,720 in the insurance group, Allianz, on large buy orders.

However, Asko, the retailer, fell DM20 to DM650 after the West German economics minister, Helmut Haussmann, said that he would reject a planned joint venture between it and the Swiss-owned Metro group; and Nixdorf, the computer group, fell DM6.50 to DM309 after a weekend report that it would make a pre-tax loss of about DM1bn for 1989.

PARIS succumbed to concern over interest rates in the wake of the weekend devaluation of the Italian lira in the European Monetary System (EMS). Share prices closed about 1.3 per cent weaker as speculation spread that the French franc might be the next currency to be realigned, or that official interest rates would be forced up instead.

The CAC 40 index ended 25.41 down at 1,968.95 in turnover estimated at FF3.3bn, after FF2.9bn on Friday. Liquid blue chips, especially those that have performed well in recent days, saw big losses in

active trading. CGE was down FF18 to FF533 in turnover of 529,000 shares, while Paribas fell FF12 to FF702 on 306,900 shares.

Eurotunnel was taken to court by the tunnel contractors, TML, over a FF400m payment, and the share price fell heavily. But it ended well above its lows, down FF2.15 at FF62.65, on late hopes of an imminent solution in negotiations over the extra costs of the tunnel.

Among heavy falls, the supermarket group Docks de France dropped by a further FF330, or 6 per cent, to FF4,950 as takeover speculation faded following its plans to swap stakes with Alcatel of France.

MILAN edged up 0.95 to 702.07 in encouraging response to the devaluation of the lira by 3.1 per cent against the Scu and some 4 per cent against the D-Mark; the lira is also to be made a "normal" currency within the EMS by limiting its margin of fluctuation to 2.25 per cent from the previous 6

By William Cochrane

A BRAVE start to the 1990s by Europe just failed to offset declines in Japan and the US last week, and the World Index began the new decade with a decline of 0.4 per cent.

However, there was more of a bang than a whimper over the holiday season. West Germany was the focus of European investment activity for much of that time, with support coming from Japan, the US and, in Europe, from the UK, Switzerland and its own domestic professionals.

Between December 22 and January 3 the West German market scored a 10.1 per cent increase on Eastern European prospects, the strength of the domestic economy and the attractive level of its share prices compared with other developed markets.

It only eased off last Thursday and Friday, partly on profit-taking and partly on reports that Mr Mikhail Gorbachev, the Soviet president, had cancelled all foreign diplomatic meetings, raising fears about

domestic political instability.

There was a similar pattern in Austria but, as Mr Chuck Mencher of Carnegie International points out, Austria does not have the same potential pressures on its economy, in the shape of an influx of new Germans as well as domestic wage bargaining and consequent interest rate worries.

Austria, he says, delivers 35 per cent of its exports to West Germany and 15 to 20 per cent to Comecon, making it a good each-way bet on the European politico-economic situation. It has a strong economy, excellent corporate earnings prospects and its own influx of foreign investors.

It enjoyed a rise of 21 per cent between December 22 and January 3, and Morgan Stanley's recent recommendation that international funds should lift Austria to 6 per cent of their portfolios is almost an embarrassment, given Vienna's low ratio of stock market capitalisation to national GNP.

The other big winners in Europe last week were Ireland and Norway, with rises of 5.9 per cent and 6.3 per cent respectively. The stockbrokers,

Davy's, say Dublin underperformed Europe in the last quarter of 1989, and has been catching up.

Norway ran up on a very firm oil price, which built renewed confidence in the economy, and on improved liquidity in the market as tax-favoured savings funds invested the money which the country's tax concessions to equity investors typically bring in during December.

In addition, says Ms Birgitte Kjolhede of Kleinwort Benson, there was speculative spice in companies like Nora, Freia, Mowi, Dyno and Elkem, where Norsk Hydro and Orkla Borger have strategic stakes and were said to be thinking of exchanging some of them.

In the Asia Pacific region, meanwhile, there was a sharp contrast between Japan and the rest. Japan succumbed last week to domestic and international political worries whereas Australia and Singapore, particularly, made a good start to the year - the former on Wall Street, oil prices and foreign buying, and the latter, apparently, majoring on its economic growth prospects.

ASIA PACIFIC

Early advance trimmed as arbitrage sellers emerge

Tokyo

ARBITRAGE activity was the dominant influence in volatile but thin trading which left the Nikkei average with a marginal gain, writes Michio Nakamoto in Tokyo.

After opening sharply higher on buying in arbitrage with the futures, the Nikkei index had lost substantially by the morning close in reverse arbitrage selling. Later small-lot buying supported shares and the Nikkei managed a modest gain of 20.20 to 38,294.96 at the close.

During the day it had fluctuated between a high of 38,364.23 and a low of 38,121.10. Advances were just offset by declines at 465 to 438, with 222 issues unchanged. Turnover was a paltry 520m shares, down from the 757m traded on Friday. The broad-based Topix index eased 0.50 to 2,834.11, while the ISE/Nikkei 50 index in London rose 1.15 to 2,122.26.

After its outbreak of nerves last Friday over talk of political problems in the Soviet Union, investors yesterday not only had to put up with erratic index-linked trading but also further yen weakness. The latter has put a dampener on optimism that interest rates will come down, and together with political uncertainties at home, is keeping investors relatively cautious in the short term.

"I think the market has entered a correctional phase," said Mr Morihiko Iida of Morgan Stanley Investment Advisory. "The question is how far it will fall."

At the end of last year, investors had bought substantially and the market had also risen on buying by index funds and on arbitrage. Share prices were already looking overheated on a technical basis and, although the increase in the official discount rate on December 25 did not trigger the correction, it just took

some negative developments in the new year to bring it about.

The consensus was that prices would not fall substantially but that investors would refrain from active buying and that trading would continue in a narrow range until after national elections in February. Yesterday the focus turned to smaller capitalised issues, particularly laggers. Kurabo, a textile maker, topped the active list, with 11.7m shares traded, gaining a strong ¥60 to ¥1,520. Interest turned to mining issues as gold prices climbed in Tokyo.

Daihen, a heavy electric machinery maker, saw strong interest and added ¥70 to a record high of ¥1,190. The company was favoured on expectations that it will post record profits.

With the prospect of falling interest rates becoming less convincing, large capital issues were largely out of favour and Sumitomo Metal Industries lost ¥15 to ¥823. It was third in volume with 10.3m shares. Small cap capitalisation issues dominated Osaka as well. The OSE average managed a modest gain of 3.25 to 38,883.77. Volume was down to a sluggish 35.5m shares from the 58.5m traded on Friday.

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Roundup

THE markets of Asia Pacific went their different ways, Singapore proving resilient, while Australia and Hong Kong lost ground.

SINGAPORE rebounded from Friday's profit-taking, with the Straits Times Industrial index reaching a record

high, up 15.95 at 1,547.42, in active trading of 121m shares worth S\$215m, against Friday's 194m worth S\$340m. But there was growing talk of the need for a correction after last week's 3.4 per cent advance.

Landmark resumed trading after a month's suspension and jumped S\$1.43 to S\$1.90 on 2.6m shares.

AUSTRALIA ended lower after Wall Street's setback on Friday provided the excuse for profit-taking, but gold shares returned to favour and outperformed the market on the rallying bullion price.

The All Ordinaries index lost 11.0 to 1,693.8, after last week's 3.7 per cent rise, while the gold index put on 1 per cent. Volatility was spread by options-related activity to 103m shares worth A\$316m, compared with Friday's 109m worth A\$345m.

The strongest sectors last week, notably industrials and financials, were hit most heavily. National Australia Bank fell 8 cents to A\$6.72 and ANZ Bank, which went ex 22-cent dividend, ended 30 cents lower at A\$5.94 as 13.2m shares changed hands.

HONG KONG compounded Friday's fall with a drop of 23.70 on the Hang Seng index to 2,816.24, to leave the market 1.8 per cent lower over the two days. The mood was cautious before the visit to Peking this week of Sir David Wilson, Governor of Hong Kong, and the trip to the colony next week-end of Mr Douglas Hurd, the British Foreign Secretary.

Turnover was very low at HK\$465m, down from Friday's HK\$677m.

INDONESIA put on further strength, with the index rising 13.27, or 3.3 per cent, to 419.76 in active trading of 1.96m shares, up from 1.03m on Friday and 879,000 on Thursday.

The session was dominated by a placement, which saw 856,500 shares traded at 550 rupiah to 10,650 rupiah.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL AND NATIONAL MARKETS	MONDAY JANUARY 8 1990						FRIDAY JANUARY 5 1990						DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's % change local currency	Gross Div. Yield	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)		
Australia (84).....	155.52	-0.8	139.45	131.83	-0.7	5.18	158.77	-1.1	141.89	132.58	160.41	128.28	148.06		
Austria (19).....	210.84	+3.1	189.05	182.66	+1.4	1.33	204.59	+1.8	185.18	180.38	210.84	92.84	94.62		
Belgium (53).....	158.17	+0.9	142.72	137.58	-0.4	4.04	157.71	+1.2	142.75	138.07	159.17	128.58	131.76		
Canada (120).....	129.48	-0.5	136.16	128.06	-0.6	3.13	134.05	-0.5	128.59	128.59	154.17	124.67	128.53		
Denmark (36).....	246.77	+1.1	221.26	217.74	+0.3	1.44	244.09	+2.0	220.93	217.11	246.77	165.35	157.93		
Finland (26).....	137.30	+0.8	123.11	114.85	+0.1	2.43	136.14	+2.2	123.22	114.71	159.16	118.63	126.35		
France (129).....	158.40	-0.5	140.23	135.28	-0.4	2.70	157.12	-1.2	142.21	141.47	157.97	112.57	116.22		
West Germany (86).....	181.86	+2.2	115.14	112.44	+1.5	1.69	182.01	+1.1	114.78	110.82	181.86	79.36	88.01		
Hong Kong (48).....	116.51	-0.8	104.47	116.85	-0.8	4.88	117.43	+0.8	108.29	117.79	140.33	86.41	116.74		
Ireland (17).....	196.69	+1.6	176.36	175.95	+0.6	2.48	193.67	+1.5	175.29	174.31	196.69	125.00	127.19		
Italy (96).....	101.86	+1.3	91.54	95.07	+0.2	2.40	100.59	+1.0	91.04	94.90	101.86	84.22	82.22		
Japan (452).....	193.71	-0.2	173.69	175.39	+0.0	0.46	194.18	+1.7	175.76	176.24	200.11	164.22	192.92		
Malaysia (36).....	234.29	+0.1	210.08	243.81	+0.0	2.19	233.99	+2.1	211.78	243.89	235.69	143.35	147.21		
Mexico (13).....	334.64	+1.3	300.05	282.74	+1.3	0.53	330.46	+2.9	311.11	304.64	334.64	163.32	160.58		
Netherlands (43).....	144.06	-0.2	129.17	128.87	-0.5	3.46	144.06	-0.2	129.17	124.49	144.06	110.83	111.85		
New Zealand (18).....	74.44	-0.3	66.74	65.97	-0.5	5.34	74.65	-0.7	67.57	66.28	74.44	62.64	68.93		
Norway (24).....	214.74	+0.3	192.65	189.24	-0.5	1.44	214.01	+1.3	193.71	190.19	214.74	139.92	147.93		
Singapore (26).....	187.46	+0.8	168.08	163.70	+0.2	1.78	184.84	+2.3	163.29	163.36	187.46	124.57	130.75		
South Africa (80).....	106.13	+2.2	106.03	163.42	+3.1	3.46	103.01	+1.3	163.75	158.48	106.13	115.35	112.35		
Spain (43).....	163.85	+0.1	146.92	135.30	-0.1	3.90	163.77	+1.3	143.23	135.28	163.77	143.14	146.57		
Sweden (35).....	204.29	+2.0	183.17	185.38	+1.2	1.85	200.30	+1.0	181.30	183.25	204.29	138.45	144.57		
Switzerland (52).....	96.50	+0.7	86.88	91.52	-0.1	1.95	96.25	+0.7	87.12	91.62	96.50	67.81	78.02		
United Kingdom (308).....	163.94	+0.5	146.59	146.99	+0.5	4.27	163.15	+1.7	147.87	147.87	163.94	133.26	134.70		
USA (542).....	143.17	+0.4	128.38	91.57	+0.4	3.27	142.65	+1.0	129.03	142.65	143.17	112.13	114.42		
Europe (991).....	146.59	+0.7	131.44	128.75	+0.1	3.27	145.50	+1.1	131.70	129.50	146.59	112.63	114.21		
Nordic (21).....	158.54	+1.4	175.60	166.14	+0.8	1.68	159.11	+1.8	170.79	167.16	158.54	117.85	117.85		
Pacific Ex. Japan (567).....	160.81	+0.1	140.40	137.19	+0.0	7.00	159.91	+0.7	138.91	137.80	160.81	112.42	114.21		
Europe - Pacific (1658).....	172.48	+0.1	154.65	155.39	-0.1	1.59	172.33	+1.5	155.98	155.52	174.16	141.56	158.37		
North America (662).....	143.63	+0.4	126.78	142.22	+0.4	3.26	143.08	+1.3	129.51	141.67	146.68	112.79	115.17		
Europe Ex. UK (685).....	134.76	+0.9	120.74	119.19	+0.1	2.60	133.43	+2.0	120.77	119.05	134.86	96.30	101.17		
Pacific Ex. Japan (212).....	137.73	+0.6	120.49	122.70	+1.1	0.6	137.66	+1.4	122.41	122.47	140.05	111.93	121.81		
Europe Ex. UK (185).....	134.22	+0.7	120.81	119.19	+0.1	2.60	133.46	+1.5	120.77	119.05	134.22	96.30	101.17		
World Ex. UK (2087).....	160.48	+0.2	143.89	151.23	+0.2	1.95	160.20	+1.0	145.00	150.99	162.00	136.98	141.18		
World Ex. So. Af. (2333).....	168.40	+0.2	143.89	150.71	+0.1	2.15	160.18	+0.9	144.99	150.59	161.84	136.67	140.74		
World Ex. Japan (1938).....	146.37	+0.5	130.35	137.68	+0.2	3.32	144.65	+1.0	130.92	137.43	146.52	114.01	115.38		
The World Index (2393).....	160.76	+0.2	144.15	150.79	+0.1	2.16	160.44	+1.2	145.22	150.84	162.05	136.68	140.58		